

JPRS-LAM-85-097

19 November 1985

Latin America Report

NOTE

JPRS publications contain information primarily from foreign newspapers, periodicals and books, but also from news agency transmissions and broadcasts. Materials from foreign-language sources are translated; those from English-language sources are transcribed or reprinted, with the original phrasing and other characteristics retained.

Headlines, editorial reports, and material enclosed in brackets [] are supplied by JPRS. Processing indicators such as [Text] or [Excerpt] in the first line of each item, or following the last line of a brief, indicate how the original information was processed. Where no processing indicator is given, the information was summarized or extracted.

Unfamiliar names rendered phonetically or transliterated are enclosed in parentheses. Words or names preceded by a question mark and enclosed in parentheses were not clear in the original but have been supplied as appropriate in context. Other unattributed parenthetical notes within the body of an item originate with the source. Times within items are as given by source.

The contents of this publication in no way represent the policies, views or attitudes of the U.S. Government.

PROCUREMENT OF PUBLICATIONS

JPRS publications may be ordered from the National Technical Information Service, Springfield, Virginia 22161. In ordering, it is recommended that the JPRS number, title, date and author, if applicable, of publication be cited.

Current JPRS publications are announced in Government Reports Announcements issued semi-monthly by the National Technical Information Service, and are listed in the Monthly Catalog of U.S. Government Publications issued by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402.

Correspondence pertaining to matters other than procurement may be addressed to Joint Publications Research Service, 1000 North Glebe Road, Arlington, Virginia 22201.

19 November 1985

LATIN AMERICA REPORT

CONTENTS

INTER-AMERICAN AFFAIRS

Cuba's Bravo Comments on Montevideo Document (Havana Domestic Service, 14 Oct 85).....	1
Caribbean Leaders Comment on Regional Security (THE VOICE, 18 Sep 85).....	2
Compton Press Conference	2
St John's Assessment	3
Barbados-Trinidad Talks End, St John Comments (CANA, 11 Oct 85; EXPRESS, 17 Oct 85).....	4
Barbados Delegation's Departure	4
St John on Trinidad Policy, by Ria Taitt	4
Jamaica, Trinidad-Tobago Sign Trade Agreement (THE DAILY GLEANER, 26 Sep, 4 Oct 85).....	6
Private-Sector Complaints	6
Port-of-Spain Accord	7
Briefs	
Argentina, Paraguay Sign Agreement	8
Chile, Argentina in Antarctic	8
Paraguayan Exiles Protest in Argentina	8
Chile, Peru Contraband Trade	9
OECS Export Agency	9
Caribbean Workers Executive	9

ARGENTINA

Congressional Elections Poll Shows Undecided Likely To Favor UCR (MERCADO; 26 Sep 85).....	10
-----------------------------------------------------------------------------------------------	----

EC Issues Statement Supporting Alfonsin (TELAM, 31 Oct 85).....	12
Economists Assess Worrisome Unemployment Figures (Ruben Mattone; MERCADO, 26 Sep 85).....	13
Economics Minister on Internal, Export Policies (NOTICIAS ARGENTINAS, 18 Oct 85).....	18
Ubalдини Says Collective Wage Ceiling Possible (BUENOS AIRES HERALD, 19 Oct 85).....	20
Justicialist Leaders Hurt in Accident (Buenos Aires Domestic Service, 30 Oct 85).....	21
Oil Policy: Magnitude, Implications Viewed (MERCADO, 26 Sep 85).....	22
Briefs	
Minister Says Cooperation Likely	31
Monetary Base Increase	31
CSSR Fuels, Power Minister Visit	31
Police Chief Says Activities 'Normal'	31
Police Personnel 'Discontent'	32
Misunderstanding Reason for Interruption	32
Tobacco Sale to Bulgaria	32
Alfonsin Thanks Gonzalez for Support	32
Foreign Debt Refinancing Agreement	33
LA PRENSA Journalist Questioned	33

BOLIVIA

Garret on Discussion of Sea Outlet (EFE, 10 Oct 85).....	34
Government Satisfied With Lusinchi's UN Proposal (Javier Viscarra Valdivia; EFE, 19 Oct 85).....	36
Briefs	
AI Demands Release	37
Relations With South Africa	37
YPFB To Renegotiate Contracts	37

CHILE

Bishop Files Complaint Over Attack on Church (EFE, 1 Nov 85).....	39
Poland To Participate in Air Show (AFP, 2 Nov 85).....	40

Common Stand on Antarctica Favored (EL MERCURIO, 23 Oct 85).....	41
---------------------------------------------------------------------	----

Briefs

Opposition Leader Offers Press Conference	42
Women Arrested in Santiago	42
Magazine Director Acquitted	42

COLOMBIA

Candidate Proposes Bipartisan Support (EL TIEMPO, 6 Oct 85).....	43
---------------------------------------------------------------------	----

New Liberal Candidate Proposes Urban Renewal Program (Gloria Vallejo; EL TIEMPO, 5 Oct 85).....	44
----------------------------------------------------------------------------------------------------	----

Briefs

Industry Exhausting Propane Supply	46
Foreign Reserves Increase	46

CUBA

Brazilian Priest's New Book on Castro Reviewed (VEJA, 9 Oct 85).....	47
-------------------------------------------------------------------------	----

8 Percent Production Increase in Fishing Industry (Fernando Davalos; GRANMA, 9 Sep 85).....	50
------------------------------------------------------------------------------------------------	----

Steel Production Up 12 Percent at Mid-Year (Joaquin Oramas; GRANMA, 11 Sep 85).....	52
----------------------------------------------------------------------------------------	----

EL SALVADOR

Fortin Magana Resigns From Democratic Action Party (EL DIARIO DE HOY, 22 Oct 85).....	54
------------------------------------------------------------------------------------------	----

FDR Views La Palma Anniversary (EL MUNDO, 22 Oct 85).....	56
--------------------------------------------------------------	----

GUATEMALA

Government Tightens Foreign Exchange Controls (PRENSA LIBRE, 6 Sep 85; EL GRAFICO, 8, 11 Sep 85).....	59
----------------------------------------------------------------------------------------------------------	----

Decree Published	59
Central Bank Recommendations	60
UCN Opposes Decree	64

MEXICO

Velazquez Reelection, Choice of Successor Occupies CTM (EXCELSIOR, various dates).....	65
Survey Conducted by Calderon	65
Velazquez' Political Aims, by Guillermo C. Zetina	66
Possible Successors Named, by Humberto Aranda	66
Deputies' Disenchantment With Chumacero, by Humberto Aranda	68
Possibility of Early Changes, by Humberto Aranda	68
Briefs	
Debt Renegotiation Called 'Inevitable'	75
Canacintra Figure Opposes GATT	75
Public Safety Agreement With France	75

NICARAGUA

Chamorro Claims Sandinists Losing War, Support (Editorial, Pedro J. Chamorro B.; LA NACION, 12 Oct 85)....	77
---------------------------------------------------------------------------------------------------------------	----

PERU

Editorial Says Cuban Foreign Minister Insulted Entire Nation (EL COMERCIO, 28 Sep 85).....	79
Supreme Court Reorganizes Internal Judicial Control Office (EL COMERCIO, 28 Sep 85).....	81
IU Economist Analyzes APRA Economic Program (Carlos Malpica Silva Santisteban Interview; EL NACIONAL, 26 Sep 85).....	83
Economists Respond to Questions on Debt, Policy, Productivity (DEBATE, Sep 85).....	90
MBH Senator Says Government Losing Credibility (Francisco Diez Canseco Interview; EL COMERCIO, 7 Oct 85)...102	
Garcia Witnesses Naval Review, Amphibious Landing Exercise (Victor Rodriguez O.; EL COMERCIO, 7 Oct 85).....104	
Judges Demand Judicial System Modernization (EL COMERCIO, 3 Oct 85).....106	
Industry, Agriculture, Mining Critical to Reactivation (Ramon Remolina; EL COMERCIO, 6 Oct 85).....108	

Briefs

Minister: No IMF Withdrawal	111
Military Holds Press Conferences	111
ELECTRO-PERU Chairman Named	111
Small Industries Protest Freeze	112
Ayacucho Irrigation Project	112

SURINAME

Somohardjo on Resistance, Plans (Hubert Smets; NRC HANDELSBLAD, 11 Sep 85).....	113
------------------------------------------------------------------------------------	-----

URUGUAY

2d Army Division Commander Dismissed (Radio Carve, 17 Oct 85).....	117
-----------------------------------------------------------------------	-----

Briefs

Government Condemns Apartheid	119
-------------------------------	-----

VENEZUELA

Carlos Andres Perez on Reelection, Debt Refinancing (Carlos Andres Perez Interview; BOHEMIA, 23-29 Sep 85).....	120
Impact of Local Elections on Perez' Reelection Viewed (ZETA, 3-14 Oct 85).....	124
Cabinet Changes Expected Before Year-End (Lesbia Delgado; BOHEMIA, 16-22 Sep 85).....	127
Need To Review Debt Refinancing Terms Underlined (Gilberto Alcala; BOHEMIA, 23-29 Sep 85).....	130

INTER-AMERICAN AFFAIRS

CUBA'S BRAVO COMMENTS ON MONTEVIDEO DOCUMENT

FL141453 Havana Domestic Service in Spanish 1200 GMT 14 Oct 85

[Radio Progreso station commentary]

[Text] Flavio Bravo, president of Cuba's National Assembly of the People's Government, has told the Venezuelan daily ULTIMAS NOTICIAS that the foreign debt is mathematically, politically, and morally unpayable and the only solution is the non-payment and the creation of a new international economic order.

Referring to the meeting on foreign debt which the Latin American Parliament has just held, Flavio Bravo told the Caracas paper that the discussions have demonstrated how the position of different countries and Latin American political organizations get closer every day on the indebtedness problem.

He said, undoubtedly, we are facing a difficult struggle and we consider it a second battle for Latin America's independence. In effect, the Montevideo Document, approved last Saturday at the conclusion of the Latin American Parliament's special meeting, says the Latin American foreign debt is unpayable under the present conditions imposed by creditors and to pay it, would mean risking social peace and stability of the region's democratic system.

Likewise, the Latin American Parliament declared that the foreign debt is basically a political problem and Latin America's future depends greatly in the way it is solved. The Montevideo Document says the unity among Latin American countries is an essential element in finding solutions to the foreign debt and in establishing an action plan to create a new international economic order.

In this way, Latin American Parliament members have established a precedent in the struggle against the exploitation underdeveloped countries suffer and its call for regional integration will have a positive effect on international and regional organizations which should act on behalf of the continent's people and governments most legitimate interests.

/8918

CSO: 3348/123

INTER-AMERICAN AFFAIRS

CARIBBEAN LEADERS COMMENT ON REGIONAL SECURITY

Compton Press Conference

Castries THE VOICE in English 18 Sep 85 p 1

[Text]

THE multinational military manoeuvres condemned Exotic Palm formally ended Monday with St. Lucia's Prime Minister John Compton boldly proclaiming that the eight-nation Regional Security System (RSS) was now ready to deal with any threat to the security of the islands by insurgents.

More than 500 troops, from the United States, Britain, Jamaica, Barbados, Antigua-Barbuda, Dominica, St. Lucia, St. Kitts/Nevis and Grenada took part in the four day exercises in Vieux Fort.

The scenario involved the capture of a small band of insurgents who invaded the island and a call by the Government here to the Barbados based RSS for assistance in dealing with the situation.

PROBLEMS

Earlier in the day, at a press conference, Compton was asked what lessons had been learnt from the exercises and how they would characterise the state of readiness of the RSS forces.

He said he had been told by RSS Commander Brigadier Rudyard Lewis that the combined forces had learnt that they could work together, but he said, there were unspecified problems of communication that had to be ironed out.

Said Compton: "There are bugs in every system. We have seen where they are and we will get them out. As to the state of our readiness, we feel we are ready and we hope that we will not be tested."

Compton reassured that the RSS would not get into a country where a government faced rebellion by its people. He said: "We will go into action when a democratic government is threatened by undemocratic forces or where there is an emergency situation that the local authorities cannot respond to."

The St. Lucian leader said that the prime responsibility for the defence of member States of the RSS rested with the Governments and "once you become independent you must accept that responsibility."

DEFEND

The Eastern Caribbean islands, he said, were small and could not, on their own carry out these responsibilities and had therefore created the RSS so that if one of them was threatened they could all respond together.

Compton referred to the planned attack on Dominica a few years ago by the rightwing Ku Klux Klan and a threat by an opposition party here to topple his government by force at the time of general elections in 1979, and added: "the message we are throwing out to them is that we are prepared to defend our democratic way of life."

Compton was emphatic that the Eastern Caribbean Governments were not militarising the region. He said: "All we are doing are the things that we have to do as independent countries in the defence of our people."

He also suggested that the RSS be extended to include all member countries of the Caribbean Community (CARICOM). He said the region had the economic treaty (CARICOM), but there was need for a security treaty as well, "because without a sense of security of your country there can be no economic progress."

St John's Assessment

Castries THE VOICE in English 18 Sep 85 p 3

[Text]

WAR games involving 500 Caribbean, American and British Troops ended here Monday, with Barbados and St. Lucia outlining the benefits of a regional security system to which they belong.

St. Lucia's Prime Minister, John Compton said during a news conference that security of the islands which the RSS bolstered would encourage foreign investment.

"Once investors know that there is a possibility of turmoil, and people talking about intervention, and destabilisation because they have the wherewithal to land guns," said Compton, "you know that these countries will be thought of as being politically insecure."

He said the Caribbean islands needed to secure their economies by providing internal security. However, he stressed that they could not do this at the expense of their standard of living or their social advancement.

PREVENT

Barbados Prime Minister, Bernard St. John, who flew in for the end-of-the-exercises ceremony, reminded that the RSS was also established to combat smuggling and help in natural disasters.

"It is a question of patrolling the sea, to prevent smuggling and the question of practice in relation to natural disasters and things of that kind," he said.

The RSS involves seven countries — Barbados, Dominica, St. Lucia, St. Vincent, Grenada, St. Kitts and Nevis and Antigua and Barbuda.

Security personnel from all but St. Vincent took part in the five day military exercises.

However, St. Vincent, which said it was against militarisation of the Caribbean, sent observers.

EXERCISE

Prime Minister Compton said he was happy that Trinidad and Tobago had sent observers to the military exercises because he thought the RSS could be useful in preserving democracy in the Caribbean Community (CARICOM).

He said as the Community had its economic pact, there was need to extend the RSS to cover the other islands within CARICOM, a 13-nation grouping of English-speaking countries.

"We have our regional security treaty, we have our regional economic treaty, because without security for each country there can be no economic progress," he remarked.

RESTORE

Prime Minister St. John told the news conference that the RSS was also important because the islands were prone to hurricane devastation and other natural disasters.

"We can get our people there to restore communications soon and clear the airport and reintegrate the island with the outside world," he said.

The other member countries of the RSS were also represented at the news conference, both at the Ministerial and security levels.

The end of the exercises was also marked by a parade of the U.S. and Caribbean troops in the city and display of military equipment on the Vigie Playing field.

INTER-AMERICAN AFFAIRS

BARBADOS-TRINIDAD TALKS END, ST JOHN COMMENTS

Barbados Delegation's Departure

Bridgetown CANA in English 1704 GMT 11 Oct 85

[Text] Port-of-Spain, Oct 11--A Barbados Government delegation left here today for home after another round of official talks yesterday aimed at resolving bilateral differences, centering on trade and civil aviation.

The Barbados team headed by Permanent Secretary in the Foreign Affairs Ministry Oliver Jackman met with Trinidad and Tobago Government officials, led by High Commissioner to Bridgetown Reginald Dumas. But both sides have declined to comment on the outcome.

The two countries' foreign ministers met in New York and discussed bilateral relations on September 27 and are expected to continue the discussions at next week's Commonwealth Heads of Government summit in the Bahamas.

St John on Trinidad Policy

Port-of-Spain EXPRESS in English 17 Oct 85 p 1

[Article by Ria Taitt, EXPRESS Political Reporter, at the Commonwealth Heads of Government Conference]

[Text]

NASSAU: Trinidad and Tobago is withdrawing from the multi-lateral approach and moving into the bilateral within the Caricom market. So said Barbados Prime Minister Bernard St John at a breakfast meeting of the Commonwealth Press Union this morning in Nassau. St John said that Barbados, however, remains committed to the integration movement.

He said that the downturn in the oil market brought considerable stresses to Trinidad and Tobago and that the influential section of the community developed the feeling that the best way to operate was to

withdraw from the multi-lateral approach and proceed along the bilateral approach. St John explained that the move effected Caricom in general since Trinidad and Tobago along with Barbados carry the main burden of the integration programme.

He said that over the last 10 years Jamaica and Guyana were not able to provide trading opportunities envisaged in the Chaguaramas Treaty. He added that Trinidad and Tobago and Barbados, therefore,

carried the "burden" of Caricom "for a long time." St John explained that Barbados is experiencing economic difficulty. He said that sugar, its main crop, was facing difficulty and its electronic industries were facing competition from developed countries in the United Kingdom.

He said that efforts to restructure the economy were costly. He added, too, that Barbados in bearing the burden of Caricom, had to pay high costs in 1983 when the Multi-lateral,

Clearing Facility was suspended. The Multi-lateral Clearing Facility, an arrangement by Central Bank to provide credits for traders within Caricom, was suspended and Barbados "which owed \$120 million Barbados" had to bear two-thirds of the debt.

St John, however, said that the Barbados Government firmly believes "the best way forward is to use that part of the Treaty of Chaguaramas which envisaged joint action by the private and public sector."

/8309

CSO: 3298/66

INTER-AMERICAN AFFAIRS

JAMAICA, TRINIDAD-TOBAGO SIGN TRADE AGREEMENT

Private-Sector Complaints

Kingston THE DAILY GLEANER in English 26 Sep 85 pp 1, 3

[Text]

Unforeseen delays in completing the final report of the bilateral meeting to revive trade between Trinidad and Tobago and Jamaica have led to complaints from the private sectors of both countries, according to the Jamaica Exporters Association.

Members of the Trinidad and Tobago trade mission which visited Jamaica last month have protested that the requirement for Bank of Jamaica payment schedules for the T&T\$1.5 million in product sales made by them in Kingston has not been removed as the agreement promised. Jamaican exporters are also complaining that licences and Exchange Control Orders required to effect exports of Jamaican products to Trinidad and Tobago are not being granted by the authorities of that country.

A release from the JEA said that investigations undertaken by the Association revealed that authorities in both countries had not acted to implement the agreement because the report had not been signed. JEA President Claude Clarke said, "We have been assured by both the Ministry of Industry and Commerce in Trinidad and the Bank of Jamaica here that they will implement all terms of the agreement as soon as

the final document is signed. Clear assurances have also been received from the Bank of Jamaica that payment schedules will be removed from T&T imports at that time. Trinidad officials have said they will begin approving ECO's and licences when signing is completed.

"We are urging officials of both countries to avoid further delays in the implementation of the agreement as this could lead to frustration on the part of the exporters of both countries.

"In the meantime, some patience needs to be exercised on both sides to give the agreement a fair chance to work. A positive start in the direction of restored trade was made with the placing of T&T\$1.5 million in orders by Jamaican importers during the visit of the Trinidad and Tobago trade mission to Kingston last month."

Mr. Clarke responded to questions raised in Trinidad about Jamaican quality standards by pointing out that "Jamaica has the most comprehensive set of product standards in Caricom, and our products in many cases meet the most demanding international standards. Any claims

made about Jamaican standards can best be proved in open competition in the marketplace, and, therefore, we hope Trinidad and Tobago's manufacturers will readily support the establishment of free trade between both of our countries."

Mr. Clarke said that the Jamaican Private Sector continued to stand by its commitment to do everything possible to encourage the widest trade between Jamaica and its Caricom partners.

"We feel confident that both Governments, as indicated by the agreement reached between Ministers Wendell Motley and Douglas Vaz, have firmly established their commitment to the restoration of free trade within the shortest possible period of time," Mr. Clarke said.

Port-of-Spain Accord

Kingston THE DAILY GLEANER in English 4 Oct 85 p 11

[Text]

An agreement recording an understanding on trade arrangements between Jamaica and Trinidad and Tobago was signed in Port of Spain on Friday, September 17, by Acting Jamaican High Commissioner, Mr. Lorne McDonough and Permanent Secretary in Trinidad's Ministry of Industry, Commerce and Consumer Affairs, Mr. Reynold Rampersad.

This agreement is the result of discussions held in Port of Spain on 15th - 17th August, 1985, between officials and private sector representatives of the two countries, consequent on an agreement reached by Minister Vaz of Jamaica and Minister Mottley of Trinidad and Tobago in Barbados in July.

The effect of these agreements is that in respect of one category of goods (described as List A) Trinidad and Tobago will remove its licensing requirements and will provide for prompt release of foreign exchange. In respect of a secondary category of

products (described as List B) Trinidad and Tobago will retain their requirements for import licensing and foreign exchange approval, but they will institute facilitation arrangements in order to secure the objective of an increase in the flow of trade. Those products not include in either List A or List B will remain subject to the arrangements that presently exist.

So far as Jamaica is concerned, no import licences are required; and in so far as payments for Caricom imports are concerned, Jamaica has agreed to discontinue foreign exchange scheduling by the Bank of Jamaica. In future payments for Caricom imports will be effected through bilateral payments settlement mechanisms between the Bank of Jamaica and the Central Banks of Trinidad and Tobago and the other Caricom countries. The Bank of Jamaica is issuing a separate release about this.

The arrangements now concluded between Jamaica and Trinidad and Tobago will be kept under constant review, and there will be a regular dialogue between Trinidad and Tobago's Ministry of Industry, Commerce and Commerce Affairs and the Jamaica High Commission. A formal review is scheduled to take place in Jamaica later this year.

The Government of Jamaica considers that the agreement represents a genuine desire on the part of the two Governments to resuscitate and stimulate trade bilaterally and regionally, a release from the Foreign Ministry said.

The Jamaican private sector, through its various organisations, has indicated to the Government of Jamaica that they will do everything possible to foster the revitalisation of two-way trade between Jamaica and Trinidad and Tobago.

INTER-AMERICAN AFFAIRS

BRIEFS

ARGENTINA, PARAGUAY SIGN AGREEMENT--Trading between Chaco Province and Paraguay has been resumed. The resumption was implemented through the signing of an agreement between Chaco Governor Florencio Tenev and Neembuco Department delegate Cesar Benitez Bogado, who acted on behalf of Paraguayan President Alfredo Stroessner. [Text] [Buenos Aires Domestic Service in Spanish 1600 GMT 28 Oct 85 PY]

CHILE, ARGENTINA IN ANTARCTIC--Santiago, 27 Oct (EFE)--Chile and Argentina will begin a joint scientific project in the Antarctic this December, according to Pedro Romero Julio, director of the Chilean Antarctic Institute. He added that the projects includes the participation of the Chilean vessel Capitan Alcazar and Argentina's icebreaker Irizar. Pedro Romero Julio explained that this joint scientific project in the Antarctic that will address biological and geological aspects is one of the activities marking the beginning of cooperation between the two countries following the peace and friendship treaty signed through the pope's mediation on 2 May 1985. [Text] [Madrid EFE in Spanish 1427 GMT 27 Oct 85 PY]

PARAGUAYAN EXILES PROTEST IN ARGENTINA--Buenos Aires, 18 Oct (EFE)--A large group of Paraguayan political parties representatives in exile, staged a demonstration in front of the Paraguayan Embassy in Buenos Aires to repudiate the 20 October Paraguayan municipal elections. The exiles consider the municipal elections to be another farse organized by General Stroessner's dictatorship. The demonstrators, who shouted that the Paraguayan dictatorship will end, also demanded the release of cavalry Captain Napoleon Ortigoza, who has been imprisoned for the last 22 years. After the demonstration, the exiles distributed a report to the journalists. The report rejects the plans to perpetuate the Stroessner family's power through the president's eldest son. The parties that were represented in the protest were: the Colorado Party, the Christian Democracy, the Communist Party, and the Coordinating Board of Paraguayan Workers in exile. [Text] [Madrid EFE in Spanish 0219 GMT 19 Oct 85 PY]

CHILE, PERU CONTRABAND TRADE--Arequipa, 6 Oct--So much contraband has been confiscated in Arequipa in the last 6 months that it has completely filled the Customs Guard building where it is stored. An initial estimate of the value of all the articles confiscated, especially small appliances, totals much more than 1 billion sols. Most of the contraband comes from Tacna. Apparently, it is brought from Iquique via Arica (Chile) after reaching there by sea and land. The most recent confiscations at the Variante de Uchumayo control post (Kilometer 48) and Plaza Duhamel are valued at even more than that. Both operations were under the PIP [Peruvian Investigative Police] and the Judicial Police which confiscated mainly small appliances, whiskey, wine, china, cooking utensils and knickknacks. The value of just the "virgin" cassettes (blank tapes) confiscated reached 120 million sols, according to the police. [Text] [Lima EL COMERCIO in Spanish 7 Oct 85 p A-12] 7717

OECS EXPORT AGENCY--Basseterre, St. Kitts--The Organisation of Eastern Caribbean States (OECS) intends to establish an Eastern Caribbean States Export Development Agency (ECSEDA) aimed at helping the seven OECS countries improve their export performance, a top official said here. OECS Director General Dr Vaughn Lewis told members of the St. Kitts and Nevis Chamber of Industry and Commerce the organisation will shortly be approaching the European Development Fund for assistance in setting up the agency. "Pending a decision on the establishment of the ECSEDA it has been agreed that a so-called "lead in" export promotion project could be undertaken," Dr. Lewis said. The St. Lucia-based official said that the short-term interim project will focus on lending technical guidance and support to national trade promotion units, providing on-the-spot technical assistance in marketing and business development to OECS industries and assisting in the effective establishment of the Export Development Agency. The project is also intended to demonstrate the possibilities for export promotion and marketing arrangements for the OECS. Dr. Lewis said that a full-fledged Export Development Agency with adequate participation of the private sector should serve to lessen the imbalance and infrastructural differences between the Lesser Developed Countries and the More Developed Countries of the region. (CANA) [Text] [Castries THE VOICE in English 25 Sep 85 p 2]

CARIBBEAN WORKERS EXECUTIVE--The Caribbean Workers Conference (C.W.C.) held in Antigua during 1 to 7 September, 1985 had representation of twenty-one (21) Trade Unions from the English, Spanish, Dutch and French Caribbean. The Theme of the conference was Democratization in the Caribbean: the delegates analysed the crisis and the democratization process in the Caribbean and Latin America. The plea of the Guyanese people was once again reiterated for Free and Fair Elections and the repeal of the present Labour Law. The workers also elected the C.W.C. Executive Board of which Br. P.N. Tennassee was elected to the position of General Secretary. Br. P.N. Tennassee will continue as President of the DLM while fulfilling his term of office. The DLM will be having a series of meetings in the near future throughout the country where Br. P.N. Tennassee and other leaders of the DLM will be speaking. [Text] [St Johns THE WORKERS VOICE in English 2 Oct 85 p 2]

/8309
CSO: 3298/67

ARGENTINA

CONGRESSIONAL ELECTIONS POLL SHOWS UNDECIDED LIKELY TO FAVOR UCR

Buenos Aires MERCADO in Spanish 26 Sep 85 p 16

[Text] The most recent SOCMERC poll (August) reveals an uncertain election panorama. The number of people who do not yet know how they will vote has declined but remains high: 41 percent of the electorate.

Most of the people who have now decided are leaning towards the UCR [Radical Civic Union].

In accordance with these numbers, the election outlook as of late August was that given the likely choice of undecided voters, plus those who have already made up their minds, the Radicals would get no less than 50 percent and the Peronists about half that.

The election campaigns and general developments could, of course, influence undecided voters in either direction. Nonetheless, the population's acceptance of the Austral Plan and the likelihood that the administration will not make any wrong moves before 3 November 1985 suggest that the outlook will not change significantly.

If the current forecasts are borne out, the UCR will maintain and probably increase its absolute majority in the lower chamber. The increase would be at the expense of the Peronists, because both the Left and the Center-Right could up their number of legislative seats.

Declared Voting Intention (in percents)

<u>Group</u>	<u>May 1985</u>	<u>August 1985</u>
UCR	25	31
Peronism	15	16
Left	8	6
Center-Right	2	4
Others	1	2
Blank	2	1
Don't know	48	41
	101	101

Technical Data

Survey management: Sociological-political study, Aftalion-Mora y Araujo-Noguera

Final date of data gathering: 23 August 1985

Geographic area: Nationwide; 9 sample points: the capital, Greater Buenos Aires, Cordoba, Rosario, Mendoza, Parana, San Miguel de Tucuman, two rural areas (E. Castex in La Pampa Province and in Tucuman Province)

Type and size of sample: Probability sample, household, 800 cases

Estimated margin of error: plus or minus 3.5 percent.

8743

CSO: 3348/35

ARGENTINA

EC ISSUES STATEMENT SUPPORTING ALFONSIN

PY021602 Buenos Aires TELAM in Spanish 1633 GMT 31 Oct 85

[Text] Buenos Aires, 31 Oct (TELAM)--An EFE report datelined Luxembourg says that the EC has issued a statement signed by 12 EC foreign ministers and by the Spanish and Portuguese foreign ministers. The statement conveys support to Argentine President Raul Alfonsin for his courageous effort to preserve basic freedoms and to bolster the economy in the face of regressive attempts that are threatening the democratic process.

The statement was released by the Luxembourg foreign minister, who is chairing the EC during the second half of this year. It says that the exceptional 60-day measure (which was adopted by Alfonsin to safeguard the Argentine democratic process) will contribute to ensuring that the congressional elections are held as scheduled in an atmosphere of peace and freedom.

The EC statement adds that the exceptional measure will be instrumental in consolidating democracy in Argentina once and for all.

The EFE report says EC Chairman Jacques Poos released the statement after consulting with his EC colleagues and with the Spanish and Portuguese foreign ministers, in response to a proposal by Spanish Prime Minister Felipe Gonzalez, which was conveyed last weekend by Spanish Foreign Minister Francisco Fernandez Ordonez.

/9599
CS0: 3348/138

ARGENTINA

ECONOMISTS ASSESS WORRISOME UNEMPLOYMENT FIGURES

Buenos Aires MERCADO in Spanish 26 Sep 85 pp 55-58

[Article by Ruben Mattone: "Employer Wanted"]

[Text] The most conservative private estimates and the initial estimates by various government agencies seem to agree on one point: that the current open unemployment rate is between seven and eight percent of the work force. However, if to this figure, which tops the 6.3 percent that INDEC [National Institute of Statistics and Census] recorded in its survey last May, we add the initial estimates of underemployment, we come to the conclusion that more than 800,000 people have job problems. If this hypothesis is confirmed in October, when the government agency publishes its conclusions on the issue, it will indicate a sharpening of the upswing that this indicator has been posting in recent times. Nevertheless, many of the people consulted attributed this development not to the economic plan of mid-June but to general economic conditions (the recession and high interest rates), which are preventing business from establishing stable incomes policies.

"It will not be until the numbers from next April are in that we will be able to tell whether this unemployment is or is not the result of the Austral Plan," economist Juan Jose Llach from the Torcuato di Tella Institute told MERCADO. Be that as it may, the pertinent question is whether the current level is compatible with the country's economy or has become socially critical. In this regard, the experts contend that it is very difficult to ascertain what Argentina's historic unemployment rate is. Some put it at between two and three percent. Hector Valle, an economist with the MID [Integration and Development Movement], says: "This is probably a normal unemployment rate for our country, but the problem is that the rate has been above four percent during the 1980's. So the rate now is a serious warning sign for the government."

A Little History

The latest official information on unemployment comes from the ongoing survey of homes that INDEC conducted in May in the country's main urban centers. According to the poll, as we mentioned, the open unemployment rate stood at 6.3 percent of the work force, while underemployment, defined as affecting those who work less than 35 hours a week and are looking for jobs, was 6.6

percent. The official report draws conclusions that bear looking into. It says, for example, that "the general level of employment, which was 38 percent in May, has not changed significantly from the previous survey, while the unemployment rate posted a rise from April 1984 (4.7 percent) and from October 1984 (4.5 percent)." It also contends that "if to the general unemployment rate we add the underemployment rate, we get an aggregate rate of 12.9 percent, which represents an increase over the two previous periods, when the combined rate stood at 10.1 percent."

Luis Alberto Beccaria, the head of INDEC, explained to MERCADO that there was a steady downtrend in industrial employment from last March to July. "This seems to show that the economic plan cannot be blamed at all," he added. The government's explanation is that the downtrend was caused by high interest rates, which prompted companies to accelerate the drawdown of their inventories and to obtain cash in light of the original expectations for the 14 June economic program. Thus, in July INDEC began to detect an upswing in man-hours worked in the industrial sector, which was confirmed by the 22.3 percent rise in the labor demand indicator for August compared to the preceding month.

These data are complemented by another survey of labor demand that the offices of Bertoni and Associates conduct every month. According to its July survey, based on the help-wanted section of the main newspapers in the Federal Capital, of the 754 job offers only 475 (63 percent) were in the private labor market (industry, services, etc), while the remaining 279 were for full-time national university professors (268), administrative positions in state-run enterprises (1 case) and hospital residency (10 offers). The only job areas that posted increases were general managerships (50 percent), production and engineering (11 percent) and secretarial employment (100 percent), while jobs in marketing fell by 6 percent, employment in industrial relations dropped by 47 percent, jobs in administration and finance decreased by 3 percent, and employment in systems and computers was down by 2 percent. "We are now anticipating that the unemployment rate will top out in August and that from then on we will probably start to see some signs of a reversal in the downtrend," Beccaria predicts.

His reasoning squares with that of several analysts from the private sector. They attribute the higher demand for labor in August to movement in the foodstuffs, petrochemicals, plastics, textiles and steel industries, whether for seasonal reasons, owing to inventory replenishment or because of exports. Nevertheless, they note, the additional personnel were hired as temporary workers in lower-level positions, which mean lower outlays for companies, or else plant personnel were asked to work overtime, which means somewhat higher take-home pay in the industrial sector in spite of the freeze ordered by the government. According to Jose Angel Martelliti, the director of the Institute of Economics at the Argentine Business University, the improvement over the July figures was due to the 1.2 percent rise in real terms for skilled workers and the 2.8 percent increase for unskilled workers, while the other categories posted declines: 6.2 percent for supervisors, 1.3 percent for the lowest-level administrative staff and 2.4 percent for the highest-level administrative staff.

Getting back to statistics, Juan Jose Llach argues that we have to distinguish between the various types of unemployment to more fully understand the true extent of the problem in Argentina. He divides it into three categories: layoffs, which are closely tied to the state of the economy; new workers, who in his judgment account for half of the current jobless ranks; and unemployment due to migration, which includes the people who flock to major cities in search of work. Because of the numbers it represents, only the first category is a key determinant in the index. The most recent FIEL [Latin American Economic Research Foundation] survey of 500,000 industrial workers in Greater Buenos Aires revealed alarming data:

--19.9 percent of the workers in the manufacturing industry were laid off in July, some 100,000 workers and administrative personnel.

--Wages lost as a result of these layoffs totaled 4.4 percent; in other words, the income of wage earners declined by that percentage as a direct result of the measures that were adopted.

The conclusions of the FIEL survey are consistent with another no less interesting piece of research that was conducted by the journal TENDENCIAS ECONOMICAS on labor conflicts. The survey, which measured the duration of strikes per worker involved, yielded the following numbers: the January total was 231,833; February, 6,347; March, 106,107; April, 78,241; May, 401,235; June, 5,932; July, 101,814, and August, 372,406. Several of the people whom MERCADO consulted agreed that the strikes were staged not to demand higher wages but to preserve jobs, an interpretation that Hector Valle does not share. Economist Valle contends, on the contrary, that in our analysis we cannot overlook the fact that, according to his own estimates, wages fell by 24 percent between December and August and that "the plan threw 200,000 people out of jobs if we take into account the almost 2 percentage point rise that we expect the October rate to show, in accordance with data obtained from private companies and checked with union sources." Valle adds this worrisome piece of information: every year 120,000 young people try unsuccessfully to enter the job market.

Of course the government also has its explanations. Roberto Luis Bigatti, the labor secretary, does not agree with the criticism that the economic program has worsened joblessness. "Rather, some companies were overstaffed in relation to the potential that the market was offering in mid-June," he told MERCADO. Thus, the government, perhaps even thinking about who would be blamed, issued Decree 2050 obliging companies to inform the appropriate authorities about any layoffs or firings owing to drops in production.

According to Bigatti, this decision provided for various ways of settling the cases that arose so as to soften the potential social impact of the economic plan. "Our intervention forestalled massive firings as a result of problems that had been plaguing some companies long before the economic plan was implemented and that had brought a few of them to the brink of bankruptcy," Bigatti contends, adding: "The firings became temporary, rotating layoffs with the workers earning 70 to 80 percent of their wages."

At this point the question is: How feasible is the UIA [Argentine Industrial Union] proposal to establish a temporary employment system like the one that has been set up in Spain? There is no simple answer. As we will recall, the initiative that industrialists submitted at the Economic and Social Conference essentially advocates the passage of legislation that would enable companies to hire personnel for 90 days, with a possible 90-day extension, without having to pay compensation and with reduced social benefits. The system is aimed at single workers and the 18 to 24 age group. Bigatti feels that the proposal is arguable. He remarks: "Current legislation provides for variations of labor contracts that include fixed-term contracts and temporary or part-time work. These models can be adapted to business conditions but under no circumstances can they lead to attempts to disguise, water down or destabilize employment or to labor fraud by relieving employers of their responsibilities in the area of benefits, for example."

Bigatti describes the current situation as follows: "Management was accustomed to giving raises based on higher prices, not on productivity. The correlation is that now labor has to realize that demands for higher wages cannot be met without an increase in economic activity and investment in general. It should be clear, then, that companies will not give raises that are at odds with the anti-inflationary goals of the economic plan. Fortunately, there is a new awareness about this among the workers. Above and beyond the outward impressions that union leaders at times try to convey, we have to recognize in general that today's workers see the link between possible higher wages and the preservation of jobs. And this is important."

Classifying Jobs

Hence, the Labor Secretariat is eagerly awaiting the passage of the labor union contract bill that has been submitted to Congress. This administration bill, as we know, does not touch on the wage issue. It aims, however, at updating a series of points in current legislation, such as working conditions, health and safety, the classification of jobs, etc, as a starting point for a subsequent unfettered discussion of wages. The bill currently before Congress includes for the first time the labor cost component in joint labor-management wage talks.

Private sector economists are not completely sold on the bill. Valle, for example, feels that the answer is a strong economic recovery that will generate domestic demand. He mentions the construction industry and remarks: "If we stick just with the sectors linked to exports, we will have few jobs for our work force." These factors aside, the MID economist contends that unemployment in private industry led to a sharp decline in overall economic productivity, while the government failed to cut jobs in the public sector. "This imbalance also has to be corrected," he emphasizes. Juan Jose Llach adds that "until the administration takes further steps in its growth policy, the jobless rate will remain high." And he proposes: "There has to be a more specific comprehensive growth plan for the private sector and a sweeping overhaul of the State to transfer superfluous workers to the sectors in which they are really needed." The main proposal of the economist from the Torcuato di Tella Institute inevitably entails the establishment of unemployment insurance to soften the social impact of the transfer. As we can see, both

proposals are aimed directly or indirectly at the public sector, which, suggestively, exerts a major influence on the entire economy. In this regard there are also thought-provoking data: according to figures from the 1980 population census, there was 1 government employee for every 25.2 persons in 1980.

Unemployment Figures

<u>Category</u>	<u>April 1985</u>	<u>August 1985</u>
Open unemployment rate (%)	6.3	8.3
--Involuntary unemployment	2.7	3.7
--Aggregate unemployment	9.0	12.0
--Voluntary underemployment	8.3	8.3
--Total underutilization	17.3	20.3
Number of unemployed (in thousands)		
--Open	616	815
--Involuntary underemployment	264	363
--Total unemployment	880	1,178
--Voluntary underemployment equivalent to unemployment	812	815
--Total equivalent unemployment	1,692	1,993

Source: Research and Development Foundation, based on official statistics

8743

CSO: 3348/35

ARGENTINA

ECONOMICS MINISTER ON INTERNAL, EXPORT POLICIES

PY210043 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1138 GMT 18 Oct 85

[Excerpt] Buenos Aires, 18 Oct (NA)--Economics Minister Juan Sourrouille has expressed his hope that businessmen and labor unions will be able to meet again after "the waters have calmed" after the 3 November elections "in order to discuss an agreement that includes prices and salaries."

Sourrouille said that in the next few hours a system of reimbursements in order to promote iron and steel exports would be publicized. On another subject, he said that the government would control credit so that the amount of the new foreign credits which will be destined for the internal market ("on lending") would not cause an expansion of money supply.

At a news conference that he gave in his office last night, the minister acknowledged that Aerolineas Argentinas' lowering of fares was a "unilateral" decision which is "a contradiction that we are trying to solve" within the current economic policy.

In his talk with journalists, Sourrouille emphasized that the national financial system should be revamped in order to lower its operating costs and he reiterated that the government "has a commitment to do away with the freeze, which will be as brief as possible."

Nevertheless, he pointed out that the freeze had not been imposed "for a definite period, nor is it a truce," indicating that it would neither be indefinite nor permanent.

The economics minister began his news conference by referring to the results of his recent trip to Seoul to participate in the IMF meeting, asserting that "Argentina's outlook shows an increase in industrial exports," and he explained that this could continue if the international interest rates do not rise.

Sourrouille added that "industrial exports are going well" and denied that the current economic program had an antiexporter slant, although he admitted that "some of the adjustment measures might have that slant, but minimally."

Sourrouille emphasized that "our policy is destined to increase exports, and this is verified by the example of iron and steel sector, for which a program of reimbursements will be publicized today or tomorrow that will make possible an increase in that sector's shipments abroad."

He then stated that "there would not be batteries of measures boosting exports" in an indiscriminant manner, but rather measures would be worked out by sector, "adjusting the details in order to facilitate each one's activity."

He later said that the fall of the dollar in the international market and the political resolutions adopted by the developing countries make him optimistic about Argentina's future.

In this regard, he said that "we have foreign accounts up to date, a reasonable agreement with IMF, and a change in the overall orientation of the developed countries which generates a climate favorable to us."

Sourrouille later explained that "we neither favor nor disfavor" Peru's stance on its debt. "The Peruvians have set the amount that they will pay yearly in terms of their exports."

The minister added that "they have in some ways left the Cartagena scheme and the scheme of 24, which say that the problem is political and call for case-by-case discussion, but at any rate, it is Peru's problem."

He reasoned that when the U.S. banks meet they will take a stance on the problem raised by Peru "which will surely be a reference point."

He then referred to the negotiations with the Paris Club and recalled that an overall agreement had been reached, from which the treatment of each country will be derived.

In this regard, he said that "we already have an agreement with France and Spain; we are at a very advanced stage with Germany and also with the United States. That leaves Italy, the Scandanavian countries and the Netherlands, which will surely be the last with which we reach an agreement," in obvious reference to the Casco Company, though he did not mention it.

"The soonest this ends, the better it will be for everyone. There already is a framework, for we have an agreement with the IMF and a renegotiation of the debt," he added.

Sourrouille, who was in excellent humor throughout and cracked jokes with the newsmen, announced that "there is an adjustment stage on the previous accounts" with Great Britain, "but everything is progressing without hinderances."

In reference to agreements with the Soviet Union which should be renegotiated this year, he said that "we want an extension of the agreements in order to place our coming harvests of fine and coarse grains, and then to end the treaties in favor of a new agreement." He recalled that "the Soviet Union's objective, which is certainly valid, is to balance its deficit with us, at least in part."

/8918

CSO: 3348/122

ARGENTINA

UBALDINI SAYS COLLECTIVE WAGE CEILING POSSIBLE

PY191810 Buenos Aires BUENOS AIRES HERALD in English 19 Oct 85 p 9

[Text] (NA-DYN)--CGT Secretary General Saul Ubaldini yesterday said labour would participate in serious talks with the government and business and suggested the CGT might be willing to go along with a ceiling on collective wage contracts.

In labour protest developments, meanwhile, railwaymen postponed a "plan of action" originally set to begin on Monday and Buenos Aires water works employees voiced optimism on a final agreement with government officials.

Ubaldini, on returning from Mendoza, told the press the CGT "will be present" at any "serious and Responsible" talks on wages. "We want action and not promises to be delivered, once and for all," he added.

Referring to reports that the government would authorize a maximum 3 percent wage hike on top of collective contracts, Ubaldini said the issue should not centre on a "loose" figure but did not reject the idea itself.

Ubaldini on Thursday used a tougher stance against the government, warning that "workers are patient but also hungry" at a Mendoza rally marking the historic October 17, 1945 march to demand the freedom of then Colonel Juan Domingo Peron.

The Mendoza rally, which drew 10,000 supporters, had a decidedly political tinge with Peronist congressional candidates preceding Ubaldini on the speaker's platform.

With the November 3 midterm elections near, the CGT is to next week begin talks with political parties. On Monday the CGT will launch its campaign at a meeting with Justicialist Party members.

Meanwhile yesterday, the four unions grouping rail workers postponed their work-to-rule protest after the state-owned rail company presented late yesterday a proposal on wage and retirement benefit demands.

Buenos Aires court clerks similarly postponed their 92-hour strike until they can review a government wage proposal.

/8918

CSO: 3348/122

ARGENTINA

JUSTICIALIST LEADERS HURT IN ACCIDENT

PY302109 Buenos Aires Domestic Service in Spanish 1600 GMT 30 Oct 85

[Text] Catamarca Police Chief (Moracio Buenaver) has flatly ruled out the possibility that the accident that CGT [General Confederation of Labor] Secretary General Saul Ubaldini, Catamarca Governor Ramon Saadi, and Senator Vicente Saadi, the governor's father, had last night may have been caused by an attack.

The police chief confirmed that the accident involving the main speakers at the act [words indistinct] when the elevator in which they were passengers fell from the fourth floor because of the excessive load. The elevator's maximum capacity is only four people.

Governor Ramon Saadi, whose Achilles tendon was practically broken, had undergone a successful operation, according to the latest medical report. He is expected to be released from the hospital in 5 days.

Ubaldini, who suffered a blow to his thorax and who seriously sprained his left ankle, remains under observation and is expected to return to Buenos Aires tomorrow.

For his part, Justicialist Party Vice President Senator Vicente Saadi received several bumps and bruises.

Labor leaders Juan Zanola, of the bank employees association, and Alejo Farias, of the UOCRA [Construction Workers Union of the Argentine Republic], suffered hard blows to their legs.

Ubaldini has cancelled his tour of the northern provinces, which was to be continued in Posadas.

/12624
CSO: 3348/126

ARGENTINA

OIL POLICY: MAGNITUDE, IMPLICATIONS VIEWED

Buenos Aires MERCADO in Spanish 26 Sep 85 pp 28-32, 34, 36, 39-41

[Passages enclosed in slantlines printed in boldface]

[Text] /President Alfonsin/ has not hesitated to become personally involved in the design and application of an oil policy whose centerpiece will be a new kind of partnership contract between Government Oil Deposits (YPF) and private firms with local or foreign capital. On more than one occasion, the chief of state has participated in private meetings and public events in Argentina, the United States, and more recently, the Federal Republic of Germany and France, to support this initiative.

The objective of maintaining the self-sufficiency that Argentina attained several years ago was enhanced by the desire to obtain exportable surpluses that could improve our balance of payments situation.

This is a dramatic ideological change for the present Radical government that has come straight from the top, the president himself. The decision was not discussed, but was followed obediently by the Radical Party and the administrative structure of the government; the political opposition did not even put up a major fight.

To give an idea of the magnitude of this 180-degree turnaround, some recent events may be recalled. At the end of last year, drilling contracts were declared void amid much political hoopla. Until recently, /Energy Secretary Conrado Storani/ was claiming that Argentina would never export crude oil because it would be processed completely in this country, and he added that if some new legal entity such as mixed enterprises were to emerge, YPF would hold a majority of any corporation, and would be in charge of day to day operations as well.

/"In April, or perhaps in March of next year, we will be able to sign the first partnership contracts with the private companies, because I believe that in the next few days we will reach an understanding with the representatives of these firms regarding the wording of a model contract for oil prospecting and drilling,"/ reported YPF President /Rodolfo Otero./

Like the so-called /"Colombian model,"/ (see the "Cuadernos" section of this issue of MERCADO), during an initial stage the private firms that have been awarded contracts in area bidding will carry out prospecting, and will assume all of the mining risk. This means that they will not be able to claim any damages if they do not find hydrocarbons. If they are successful, YPF reserves the right to join in the subsequent production stage as a partner, with a share that can range between a minimum of 15 percent and a maximum of 50 percent.

In this way, the risk of investing and possibly losing millions of dollars in seismic surveys and the drilling of exploratory wells will be run by the companies that will share production (meaning sure profits) with YPF. Twelve percent of production will be earmarked for paying national and provincial royalties; between 8 and 18 percent, depending on the YPF experts' assessment of risk for each area, will also have to be paid to YPF as another royalty; the rest, between 70 and 80 percent, will be distributed equally between the private firm and YPF.

Behind this policy lies not only the intention of ensuring self-sufficiency so that imports will not further weaken the Argentine external sector, but also an aim for exportable surpluses in the context of severe financial restrictions imposed by the state enterprise. The reality of the numbers, however, shows a disturbing situation with respect to the two objectives proposed by the government.

Plummeting Production

Production reached a two-decade peak in 1981, with 28.85 million cubic meters; in 1985, this figure is expected to be slightly above 26 million cubic meters. This does not mean that supplies of petroleum-derivative fuels will be depleted, at least in the short term, because of the convergence of three factors: the decline in sales due to the tremendous real increase in prices, the deepening of the recession since the beginning of the year, and the process of replacing liquid petroleum-derivative fuels with other alternatives.

Between July of last year and the same month this year, gasoline sales fell 20 percent. It is estimated that in 1985, the Gross Domestic Product (GDP) will have fallen 2 to 3 percent below the 1984 figure. Natural gas is expected to cut the demand for fuel oil by about 10 percent.

But a more thorough examination of the situation reveals serious problems. The problem with the greatest long-term impact is the decline in the output per well. In 1981, daily production averaged 79,048 cubic meters, which was obtained from 7,544 active wells. At present, with more wells operating (8,900), output in the first half of the year averaged 73,237 cubic meters per day; in the first 8 months it fell even further below that level, to 71,195 cubic meters. The latter figure is the same as production totals 10 years ago. YPF specialists consider this to be the floor, as they expect a slight comeback in the final quarter of the year.

The fact is that with 18 percent more wells actually operating than in 1981, daily production fell by 9 percent.

Carrying the analysis even deeper to look at the per-well yield, we see that in 1981 production amounted to 10.5 cubic meters per day, with an incipient decline of 2 percent below the previous year's total. In the first 8 months of 1985, output dropped to 8 cubic meters per well per day, showing signs that the decline is gathering momentum at an astounding 8 percent a year. A decrease of this magnitude means that by the 9th year, production will have been cut in half. Thus, the hope of obtaining dollars from oil exports would turn to frustration as the country actually had to import oil.

President's Reaction

Such a hasty conclusion may be erroneous, however. All indications are that the root problem is not the shortage of petroleum, but poor handling of the problem. The positive aspect is that the president took action months ago to alert everyone to the gravity of the situation.

At a meeting with oil officials in Houston in March of this year, Dr Alfonsin stated: /"My government gives top priority to investments in agroindustry and the hydrocarbons sector. At present, Argentina is self-sufficient in hydrocarbons, and has an abundant reserve of natural gas. But we do have a problem with regard to proven oil reserves, which at this date are very low in relation to domestic demand. This leads us to be especially interested in expanding those reserves, not only to guarantee economic security and maintain the production necessary for domestic consumption, but also to attain yields that will enable us to export and thus consolidate our balance of trade. It is for these reasons that I want to urge the oil companies represented here to participate actively in my country through oil drilling contracts."/

To be sure, the current volume of petroleum reserves implies that the country has reached the limit of security. With a total of 363 million cubic meters and a consumption level that could climb as high as 27 to 28 million cubic meters per year, as soon as economic activity picks up again, self-sufficiency should last about 14 years more.

Unfortunately, a large portion of this oil is closely associated with natural gas, which means that stepping up production would entail burning off a larger coefficient than the present 20 percent. The exploitation of these reserves would become irrational, because a non-renewable natural resource would literally disappear into thin air; moreover, it would lower the pressure on the oil in producing wells.

If reserves of 373 million cubic meters covering 14 years of production are analogous to a yellow card in soccer terms, it can be concluded that only about 200 million cubic meters (representing just 7 years of consumption) are /"totally accessible using rational methods."/ And that is a red card. That is no small consideration, since the general rule in Argentina seems to be that after a prospecting contract is signed, the process of discovering the oil, drilling it, and sending it through the pipeline of distilling and

marketing, can take 10 years. This applies only to onshore oil operations; offshore operations drag on for 12 to 15 years.

The climate of uncertainty and the lack of a clear policy in 1983, as well as the voiding of the contracts and the slow pace of the settlement, have all meant that the /"Storani policy"/ cost the country 2 million cubic meters of production and some 15 million cubic meters of reserve discoveries.

The possibility of reversing this trend arose out of the change in direction imposed by the president, and is based on concrete facts such as that which was explained by the president of YPF. According to Mr /Otero,/ the World Bank studies indicate that the international reserve-recovery factor is 35 percent of preliminary volume measurements, while Argentina's factor is just over half that, 19 percent. This means that for every 100 cubic meters of discovered reserves, the international recovery rate is an average of 35 cubic meters, while Argentina will recover only 19 cubic meters.

This 19 percent figure represents a weighted average derived from 4 percent through secondary recovery (a method that improves the output of wells by injecting water or steam under pressure), and 15 to 25 percent through primary production (natural spouting).

Effect of Controls

If there is petroleum and it can be obtained in greater amounts, the obvious question is, why is it not produced? Part of the answer necessarily involves the /"Storani policy,"/ but another considerable part is the consequence of the authorities' failure to clarify their views on the vital issue of pricing policy. Current government officials are trapped in a dead-end street for the time being because of government controls. The government, through the Public Works Ministry, the Economy Ministry, the Secretariat of Energy and Fuels, the Secretariat of Trade and YPF, sets prices, taxes and profit margins (in many cases, bankruptcy margins), from the time the crude oil leaves the well to the time fuels are sold to the final consumer.

Even the most insignificant stage of production, transportation, refining, marketing and sales to the public cannot escape the scrutiny of government regulators.

The first victim of this system is YPF, and the second is the community. In the words of the president of that enterprise: /"YPF is condemned to lose. The international price of petroleum is \$160 per cubic meter, but if we received 70 percent of that amount (curiously, this is the percentage the Executive Branch set for the private companies), or \$112 per cubic meter, that would be an acceptable level. But we receive only \$85, less than half the international price. The difference between what we get and 70 percent of the international price adds up to about \$27 per cubic meter. If we multiply this figure by the 28 to 30 million cubic meters that we should produce each year, we see that on the first day of each fiscal year, YPF starts out by losing \$780 million."/

If the lag in the dollar was a hedge against inflation several years ago, today petroleum plays that role. It must be made very clear that cheap oil does not mean cheap fuels for industry and consumers. The lag in the price of oil serves as a cushion so that taxes can be collected by the Treasury to offset higher government costs. In the case of gasoline, the taxes account for more than 60 percent of the price paid by the public.

This tremendous tax pressure has an impact not only on YPF, but on the entire refining industry (Esso, Shell, Compania General de Combustibles, Isaura, Astra), which operated at a loss in 1983 and 1984. A brief respite for a couple of months in early 1985 was snuffed out by a higher tax burden, and once again the books showed red ink.

In addition to its production function, the entire industry is forced by the government to serve a tax collecting function, so that the raw material can serve as the lag variable in the inflationary process.

Prices Rule

A change in the price of petroleum would make production worth more, and would cause a very rapid increase in the extraction of oil through the secondary recovery method, as long as the legal security of the respective contracts is assured, since this technology costs more than primary extraction. The volume of reserves and production is sensitive to two very important variables: clear and stable rules (legal security) and a reasonable return on invested capital (price).

On this point, the president of YPF has no doubt: /"The prospect of a better price, whether for domestic considerations or due to pressures on the world market, will lead to a higher rate of recovery, that is, production."/

The generation of profits is crucial, because capital is not likely to be attracted to Argentina for money-losing investments. To have a clear idea of this point, it is important to consider the projections advanced by /Jorge Eduardo Lapena,/ undersecretary of energy planning at the Secretariat of Energy.

According to /Lapena,/ the 1985 production figure of 26.11 million cubic meters will climb to 23.32 million cubic meters in 1990, to 25.33 million in 1995, and to 30.30 million in the year 2000. To maintain that low growth rate (just above 1 percent a year), it will be necessary to add 593 million cubic meters to current reserves, for which purpose 3,000 new wells must be drilled and 386,000 kilometers of seismic surveys must be conducted (the equivalent of 10 times the circumference of the earth at the equator).

All this entails investments of \$8.2 billion, which YPF does not have and the Treasury cannot supply. To the extent that the president's idea of privatizing growth catches on, however, it will be possible through a partnership between YPF and local and foreign companies.

Another important factor is that in an estimate of energy consumption for the entire country for 1985, out of approximately 50 million equivalent tons of

petroleum, natural gas has gained a 34-percent share of the market with 16 million equivalent tons of petroleum. By the year 1990, consumption is expected to rise by 27 million, with additional jumps to 32 million and 37 million in 1995 and 2000, respectively. In the latter year, the share of natural gas is expected to be about 41 percent of all energy consumption.

For this purpose, however, new gas pipelines will have to be built, the pumping capacity of existing pipelines will have to be expanded, and most importantly, the necessary financing will have to be obtained. In this case, it is also essential that the companies involved come up with the funds to make part of the investment.

Replacement of Fuels

The replacement of fuels will be one of the successes of the energy policy, commented /Gustavo Callejas, an accountant who is undersecretary of fuels./ There is still a lot of room for natural gas to gain ground on fuel oil in industrial consumption, and for compressed natural gas to replace gasoline. This means that both fuel oil and gasolines could be exported as the aforementioned alternative fuels are used increasingly. /"Hydrocarbons are not a myth for us," he explained, "since they are non-renewable resources that must be used rationally to obtain the maximum advantage from their exploitation. Natural gas, in turn, given its abundance (in thermal equivalence, gas reserves are triple the size of petroleum reserves), should be the universal fuel in all technically recommended uses, and should replace liquid fuels. In particular, electric power plants, including those that use diesel oil, and industries should use natural gas exclusively."/

Another area where gas should be used more intensively is the oil refineries themselves. To obtain the petroleum-derivative fuels, the refineries consume 10 percent of the petroleum they are going to process. /Callejas/ believes that this is a waste, because all the petroleum should be transformed into light and medium distillates (gasolines, kerosene, gas oil). In other words, "in the blacksmith's house they use wooden spoons."

Partnership Contract

The president of YPF believes that the model contract that is being drafted will offer areas with geological potential and size commensurate with the risk that is required of the investment, and will be flexible in permitting the seismic option during the preliminary prospecting stage, so that companies with varying financial capacities will be encouraged to bid.

/Otero/ provided MERCADO with a summary of the contracts that outlines their characteristics:

- 1) The contractors must assume the risks involved in prospecting and drilling, and are obligated to supply all the necessary means.
- 2) The national government retains control over the hydrocarbons. Prospecting activity is encouraged in a broad expanse of territory with

varying geological potential that is attractive to the companies because of its possibilities for production.

3) Specifications are set forth for the work of the contractors in accordance with the most rational, modern and efficient techniques. The preselection process using the double-envelope system will make it possible to choose companies with a high technological capacity and vast experience in this field.

4) The contractors are prohibited from flaring gas unless authorized to do so by the Application Authority.

5) The bidding process will be efficient, but transparently clear at the same time. International Public Bidding will be held for each area.

6) The contracts will be awarded first of all on the basis of the units of work (longitude of seismic lines and duly weighted exploratory wells), and secondly in terms of the greatest percentage of remuneration in this country's currency offered by the bidder.

7) YPF may award a contract directly, with the intervention of the Application Authority and ad referendum by the National Executive Branch in the following cases:

a) if no valid bids have been submitted;

b) if it is justified for reasons of urgency, specialization or technical-economic considerations.

8) Stages for preliminary prospecting are established, with seismic, exploratory and drilling options, each of them with a specific duration.

9) The Application Authority declares the deposit commercially viable at the request of the contractor.

10) Clear standards of payment for liquid hydrocarbons and gas are set forth, with reference to the international price of equivalent petroleum in the first case, and a set price for the second case.

11) There is a definition of the form of payment in the country's currency, or in foreign exchange at the option of YPF, to be paid partly in byproducts stipulated in a list or in crude; in such a case, the provisions of Articles 3 and 6 of Law 17,319 must be followed. If YPF defaults, and if all the prior collections have been kept, the Application Authority may instruct YPF to put an amount of petroleum equivalent to the debt at the disposal of the contractor.

12) The YPF may opt to join in the venture as a partner, with shares ranging from 15 to 50 percent, by means of a proportional payment of the costs of drilling and completing the wells that have turned out to be commercially productive.

- 13) The contractor will remain in charge of operations in the area.
- 14) Royalties are established at 12 percent payable to the national government and 8 to 18 percent payable to YPF for each area. YPF will share 25 percent of the latter royalty with the provinces that guarantee the stability of tax rates.
- 15) The tax system will be applied across the board, thus guaranteeing tax rate stability throughout the life of the contract.
- 16) YPF may modify the clauses of the model contract when technical, economic or legal considerations so warrant, in accordance with the guidelines set forth in this decree, and with the knowledge of the Application Authority.
- 17) The "buy Argentina" regulations apply to these contracts, which guarantees the intensive utilization of national industry in the sector.

The J Connection

In order to reach an understanding that will be feasible and effective for the parties, YPF officials are holding talks with representatives of private firms to draw up a model partnership contract. For the purpose of labeling the corresponding file, the model contract is called "Attachment J." It contains nine articles that provide for the objective of the contract, definitions of terms, time periods, the mixed executive committee, joint operations, the system of shares, the annual activities and budget program, operations at the risk of one of the parties, and the management of the joint account.

The operations will be the responsibility of a mixed executive committee that will have six members, three from YPF and three from the private component. They will draw up the annual activities program, the spending budget and the immediate plans. For this purpose they will meet every 3 months, or the parties may request a special session with 10 day's notice.

The number of votes the parties are eligible to cast will depend on how many shares YPF holds; if it has a 50 percent share in the partnership, any resolution by the committee must have more than half the votes. A unanimous vote will be required, however, for resolutions such as the designation of the external auditor; the authorization of spending not included in the budget but approved by the parties; the definition of the type and frequency of reports on drilling, operation and production; and the signing of contracts with third parties for amounts in excess of \$10,000.

After joining the partnership, YPF agrees to pay within 60 days the direct costs of drilling and finishing the exploratory wells that have been declared commercially productive and are incorporated into production. The operator must not exceed the budget approved by the parties by more than 10 percent, but may spend whatever he feels is necessary in emergency situations such as storms, fires, floods, earthquakes and other disasters.

If one of the parties wants to undertake additional work without the consent of its partner, it will have the right to drill, complete, operate or abandon

that well at its exclusive expense and risk. If the well turns out to be productive, it will be administered by the partnership, but the expenses of that well will be acknowledged and paid by the other party.

Before becoming incorporated into the joint account, however, the party that took the individual initiative will have the right to claim credit for the result of the drilling of the well, up to 200 percent of the cost of drilling and completing that well.

This aspect shows YPF's flexibility and its desire not to hinder or stifle the initiative of its partners, in case of any disagreement about the joint operation. If one of the parties should default on its economic obligations (supplying funds), the other will have the right to file a claim after 60 days. If the delay lasts for more than 90 days, the party in arrears loses its vote on the mixed executive committee.

8926

CSO: 3348/34

ARGENTINA

BRIEFS

MINISTER SAYS COOPERATION LIKELY--According to CSSR Fuels and Power Minister Vlastimil Ehrenberger, Czechoslovakia will reportedly cooperate with our country in a plan for gas exploitation. Ehrenberger added that he will seek in Argentina new possibilities for expanding economic and technical cooperation between the two countries. [Text] [Buenos Aires Domestic Service in Spanish 2300 GMT 16 Oct 85 PY]

MONETARY BASE INCREASE--According to a report issued by the Economy Institute of the Business University, the monetary base grew by 4.8 percent during the month of September. [Summary] [Buenos Aires Domestic Service in Spanish 2300 GMT 22 Oct 85 PY]

CSSR FUELS, POWER MINISTER VISIT--Buenos Aires, 16 Oct (DYN)--Czechoslovakian Fuels and Power Minister Vlastimil Ehrenberger arrived on an official visit to Argentina today to hold talks with government officials and to seek greater mutual trade, as well as to sell Czechoslovak industrial technology. Ehrenberger, who was received at the Ezeiza International Airport by Alfredo Storani, Energy Secretariat undersecretary for business operations, will stay in Argentina for 4 days. He told reporters that his country is interested in increasing its exports to Argentina as well as in supplying industrial technology in exchange for Argentine goods. He reported that Argentine-Czechoslovak trade has tripled since 1984, when Czechoslovakia imported \$92 million worth of Argentine goods, while exporting only \$7 million worth. "Czechoslovakia is anxious to increase sales to even its balance of payments by exporting technology so that Argentina will be able to manufacture machinery and the labor force will work at full capacity," Ehrenberger said. He reported that during his stay here he is scheduled to meet with Energy Secretary Conrado Storani and with the members of the State Water and Power Enterprise's executive board. He recalled that his country has been supplying Argentina for a long time with electric generating plants like the one of Guemes, Salta Province, which is still under construction with a \$60 million Czechoslovak loan. [Text] [Buenos Aires DYN in Spanish 1524 GMT 16 Oct 85 PY]

POLICE CHIEF SAYS ACTIVITIES 'NORMAL'--Buenos Aires, 18 Oct (TELAM)--The Federal Police Chief, Commissioner General Antonio di Vietri, today admitted that indeed there is some unrest among his force because of the low salaries they get. He explained, however, that Federal Police activities are normal and people should not be misled by isolated rumors whose objectives may have nothing to do with this institution. He emphasized that the Federal Police is one of the props of the constitutional government in the difficult situation the country is

going through and stated that the government has promised to overcome this situation. Concerning news reports today about alleged unrest in the Federal Police as a result of low salaries, Di Vietri talked to journalists accredited to Federal Police headquarters and told them that steps are being taken to overcome this situation. He indicated that the government has formally promised to give Federal Police personnel an increase along the lines of that granted to the Armed Forces, and reiterated that the government has made a commitment to do this. Di Vietri concluded by repeating that the Federal Police is a prop of the constitutional government in difficult times like these urged everyone to lend their support to the institution, because policemen must at least be encouraged since they do not get paid much. [Text] [Buenos Aires TELAM in Spanish 1455 GMT 18 Oct 85 PY]

POLICE PERSONNEL 'DISCONTENT'--Buenos Aires, 17 Oct (DYN)--Signs of discontent became evident today among Federal Police personnel who even threatened to confine themselves to barracks as a result of a delay in the granting of a loan equivalent to 50 percent of their salaries, which they were to receive with their next pay. A man who claimed to be a Federal Police officer this afternoon told DYN by telephone that "Federal Police personnel have decided to confine themselves to barracks as of 0600 tomorrow." The report was officially denied but reliable police sources admitted that they knew about this intention. It was also learned this afternoon that the heads of metropolitan police precincts have been instructed to tell their subordinates that it is momentarily impossible to grant them the loan they had requested owing to serious budget problems. The loan, which is similar to the one granted to military personnel on active duty, was to be added to this month's salary. Security personnel are usually paid a few days before other public administration personnel. [Text] [Buenos Aires DYN in Spanish 2240 GMT 17 Oct 85 PY]

MISUNDERSTANDING REASON FOR INTERRUPTION--Union Leader Angel (Zavala) who is actively participating in the COB [Bolivian Labor Confederation] commission in charge of holding a dialogue with the government told Cadena Panamericana that [the interruption in government-COB talks] was the result of a misunderstanding. [Begin (Zavala) recording] The whole situation is the result of a misunderstanding on the part of the interior minister who told Juan Lechin that a meeting would be held to discuss Decree Law 21060. However, when we ended the meeting on 16 October we found that a meeting with the economic team would be held on 17 October to establish an agenda and the time for such a meeting. The whole situation is a misunderstanding on the part of the interior minister, and the statement he made in this regard is completely false since the members of the COB commission that participated in the talks with the labor and interior ministers had the complete support of workers and the COB executive committee. [End recording] [Excerpt] [La Paz Cadena Panamericana in Spanish 1130 GMT 18 Oct 85 PY]

TOBACCO SALE TO BULGARIA--In Jujuy province, (Perico) Tobacco Cooperative officials have reported that 250 tons of tobacco were sold to Bulgaria. [Text] [Buenos Aires Domestic Service in Spanish 1600 GMT 30 Oct 85 PY]

ALFONSIN THANKS GONZALEZ FOR SUPPORT--Argentine ambassador in Madrid, Hugo Gobbi, this morning conveyed to Spanish Prime Minister Felipe Gonzalez President Alfonsin's thanks for his immediate and generous support the Argentine democratic process. Gonzalez was one of the (statesmen) who, after learning that Alfonsin had decreed a state of siege last Friday, expressed his confidence. [Text] [Buenos Aires Domestic Service in Spanish 1600 GMT 29 Oct 85 PY]

FOREIGN DEBT REFINANCING AGREEMENT--Buenos Aires, 29 Oct (TELAM)--It has been officially reported that the executive branch has approved two contracts for refinancing the debt of state enterprises and institutions--including the National Bank, the Buenos Aires Provincial Bank, and the Salto Grande Technical Joint Commission--with the international banking community. Decree 2078 approved the agreement for refinancing the financial foreign debt of the Salto Grande Technical Commission with a consortium of banks that includes the Sanwa Bank Limited. This refinancing agreement covers the debts overdue and falling due up to 31 December 1985. Decree 2079 provides for the signing of the agreement among the National Bank--as borrower--the Central Bank, and a group of financial organizations headed by Manufacturers Hannover Trust. It has been reported that the measures adopted follow the 1984 general refinancing principles for Argentine public sector borrowers, which the national government made known to the international banks on 2 December 1984. [Text] [Buenos Aires TELAM in Spanish 2202 GMT 29 Oct 85]

LA PRENSA JOURNALIST QUESTIONED--Horacio Daniel Rodriguez, journalist for LA PRENSA newspaper, was taken under police custody to the office of Federal Judge Amelia Verraz de Vidal. Since mid-morning Rodriguez, who is not being tried, has been questioned in connection with charges by the executive branch of acts aimed at disrupting the public order. [Excerpt] [Buenos Aires Domestic Service in Spanish 1600 GMT 1 Nov 85]

/9599

CS0: 3348/138

BOLIVIA

GARRET ON DISCUSSION OF SEA OUTLET

PY111516 Madrid EFE in Spanish 2256 GMT 10 Oct 85

[Excerpt] United Nations, 10 October (EFE)--Bolivian Vice President Julio Garret Ayllon said here today that Bolivia will continue to hold talks about its demand for an outlet to the Pacific Ocean within the framework of the OAS. This subject is scheduled for debate at the next OAS meeting. During a press conference Garret reported that he had just been told that the Chilean foreign minister had expressed satisfaction with Bolivia's approach to addressing its territorial conflict with Chile.

Garret said that this issue will come up at the next meeting of the OAS that is scheduled to take place in November. Within this framework the appropriate contacts will be made and a procedure will be established to pursue the dialogue which is now open after Colombia's plea at the United Nations.

In his speech to the United Nations General Assembly, the Bolivian vice president reiterated his country's right to a sea outlet and its willingness to enter into a dialogue with Chile. Garret also stated at the United Nations that the Latin American economic crisis could plunge the countries of the region into the east-west conflict, a conflict with which we have nothing to do.

Speaking about the serious problems Bolivia is having--including the highest inflation rate in the world--Garret said that it is necessary to find some kind of balance that would stimulate economic growth without which there will be no solution to the crisis. He added that in order to improve the economy there must be minimum domestic order and stability.

Garret lashed out at the dependency to which many nations are subject due to the unfair international economic system. Amid the race for world power and domination we must not allow ourselves to be involved in the east-west conflict which is alien to us, Garret added.

The differences between the East and the West that have actually led to a crisis in Central America may also crop up in any other Latin American country where domestic conditions make these antagonisms and conflicts possible, Garret said.

In a region like ours, plagued by a crisis and economic and social chaos, any country could be plunged into political instability that would give rise to a process of internal disintegration as is happening in several Latin American countries, he stated. [passage omitted]

/12913

CSO: 3348/125

BOLIVIA

GOVERNMENT SATISFIED WITH LUSINCHI'S UN PROPOSAL

PY211823 Madrid EFE in Spanish 2020 GMT 19 Oct 85

[By Javier Viscarra Valdivia]

[Excerpt] La Paz, 19 October (EFE)--The Bolivian Government has expressed its satisfaction over foreign support of its national economic stabilization plan, according to an official note given to UN Secretary General Javier Perez de Cuellar.

A total of 25 countries have assured Bolivia of their cooperation in creating an emergency fund for \$150 million, in response to the initiative Venezuelan President Jaime Lusinchi presented last week at the United Nations.

On Friday, 18 October Bolivian Ambassador to the United Nations Jorge Gamucio gave a note to the UN secretary general which expresses Victor Paz Estenssoro's agreement with the initiative.

PRESENCIA, the morning newspaper with the largest circulation, carries a front page headline stating that the UN plan will facilitate the granting of soft credits to Bolivia.

Another PRESENCIA headline states that after the call made by Perez de Cuellar, 25 countries have assured their aid to the economic stabilization plan.

In the note to Perez de Cuellar, Bolivia proposes that friendly countries form an emergency bridge loan, with deposits from central bank to central bank, for terms between 120 and 180 days, following the Swap-credit mechanism. Each country will voluntarily decide on the credit amount.

Simultaneously, international financial institutions will be asked to endorse a \$150 million long-term credit and on conditions more favorable for Bolivia.

Perez de Cuellar will coordinate, together with the Bolivian and Venezuelan permanent ambassadors to the United Nations, the mechanisms that will facilitate the aid promised to Bolivia. [passage omitted]

/12913
CSO: 3348/125

BOLIVIA

BRIEFS

AI DEMANDS RELEASE--La Paz, 25 October (AFP)--It was reported here today that Amnesty International [AI], the organization that defends human rights, has asked the Bolivian Government, in a letter to President Victor Paz Estenssoro, for the immediate release of detained union leaders. In the letter, signed by AI President Edouard Stumm-Magn, the organization expressed concern over the nonsolution of the social conflicts caused by the new economic policy implemented by Paz Estenssoro on 29 August 1985. Walter Delgadillo, secretary general of the Bolivian Labor Confederation [COB], told AFP that Fausto Ardaya, president of the National Telecommunications Enterprise [ENTEL] workers, is the highest-ranking leader being held by the government. He added that the negotiations between the government and the COB have been halted because they cannot agree on the topic with which to begin the talks. [Text] [Paris AFP in Spanish 1523 GMT 25 Oct 85 PY]

RELATIONS WITH SOUTH AFRICA--In remarks to Radio Panamericana, Foreign Minister Gaston Araoz Levy has referred to Bolivian relations with different countries, such as South Africa, whose apartheid policy has prompted the Bolivian Congress to ask the government to break relations with that country. In response to a question, the foreign minister stated that Bolivia's international relations are normal but referring to the concrete case of South Africa, he made the following statement: [Begin Araoz Levy recording] Regarding relations with South Africa, they are in a very low level. We have not had representatives in South Africa since 1984. We have left our embassy in the hands of a Bolivian consul in the South African capital. In the same manner, South Africa only has a charge d'Affairs in our country. This shows that our relations are not at the same level as with other countries. [end recording] [passage omitted] [Excerpt] [La Paz Cadena Panamericana in Spanish 1700 GMT 22 Oct 85 PY]

YPFB TO RENEGOTIATE CONTRACTS--The Bolivian Government has adopted an important measure. The government headed by Victor Paz Estenssoro has authorized Bolivian Government Oil Deposits [YPFB] to renegotiate operations contracts with the companies, Bolivia Andina Petroleum Corporation [BAPC], and Shell Exploradora Productora de Bolivia [BAPCO-SHELL]. Decree No. 21097 establishes that the agreements reached in these talks must be submitted to the executive branch to authorize, through a legal disposition, the changes in the current operations contracts. Among the reasons for this decision, the government

points to the need to strengthen the Bolivian petroleum industry, with the discovery of new petroleum deposits--the production of which has decreased considerably--authorizing risk investments that could be made by private enterprises with sufficient financial and technological capacity. [Text]
[La Paz Cadena Panamericana in Spanish 1130 GMT 21 Oct 85 PY]

/12913

CSO: 3348/125

CHILE

BISHOP FILES COMPLAINT OVER ATTACK ON CHURCH

PY012159 Madrid EFE in Spanish 1557 GMT 1 Nov 85

[Text] Santiago, Chile, 1 Nov (EFE)--The auxiliary Bishop of Santiago, Sergio Valech, has lodged a criminal lawsuit against some armed civilians who entered a workers church in Santiago and fired threateningly at the church and at Belgian Father Guido Peters. Lawyer Pamela Pereira of the Vicariate of Solidarity, who presented the complaint in the name of the bishop, said that the appellate court had named Judge Jorge Medina as special judge to investigate the facts of the case.

The armed civilians, who perpetrated the incident on 15 October during a day of national protest, were photographed by journalists who happened to be nearby at that time. After the publication of the photographs in opposition magazines, Chilean lawyers had received information that permitted the identification of at least two of the armed individuals who attacked the Belgian priest, who is vicar of the Church of San Cayetano in La Legua slum district of Santiago.

/9599

CSO: 3348/141

CHILE

POLAND TO PARTICIPATE IN AIR SHOW

PY022053 Paris AFP in Spanish 1411 GMT 2 Nov 85

[Text] Santiago, 2 Nov (AFP)--It was reported here today that Poland will participate for the first time since the military regime was installed in Chile 12 years ago in the International Air Show (FIDA-86) that will be held in March 1986 in Santiago.

Squadron Commander Ernesto Gonzalez, FIDA-86 public relations chief, announced that 14 countries, including Poland, will participate in the air show organized by the Chilean Air Force (FACH) that will be held at El Bosque Airfield.

Gonzalez reported that Poland will exhibit the M-18 Dromader tanker and cropduster aircraft, which is built in Warsaw by the Polish PZL state company and which is also sold in the United States through the Mielec Company.

Poland, which like other socialist countries (except for Romania and the PRC) broke relations with Chile after the military coup toppled the government of President Salvador Allende (1970-73), will participate for the first time in the Chilean international fair.

Gonzalez reported that about 100 companies from Argentina, Brazil, the United States, France, Great Britain, the FRG, Finland, Israel, Canada, Spain, Poland, Switzerland, South Africa, and Chile will participate in the FIDA-86 exhibition.

/9599

CSO: 3348/141

CHILE

COMMON STAND ON ANTARCTICA FAVORED

PY011933 Santiago EL MERCURIO in Spanish 23 Oct 85 p C-3

[Text] Fernando Gamboa, the director of the Foreign Ministry Department of Special Political Affairs, on 22 October announced that the signatories to the Antarctic Treaty will agree on a common position to defend the Antarctic continent at the United Nations General Assembly.

Gamboa arrived at the end of last week from Europe, where he attended a meeting in Paris on Antarctic Minerals and the 13th biennial consultative meeting held in Brussels.

"Those two meetings were of considerable significance, because their objective was to report on any developments in the possible exploitation of minerals in Antarctic," Gamboa said.

"Secondly, we had to demonstrate that all the signatories of the Antarctic Treaty take a common position in the UN General Assembly [UNGA] negotiations that will be held in the last half of November," he added.

Nonaligned countries under Malaysian leadership want the UNGA to declare Antarctica a "common patrimony of humanity." Gamboa explained that this means that Antarctica and its seas north to 60 degrees south latitude, together with its benefits belong to all humanity, "just like the UN declaration approved in 1970, which established that the deep seabeds are a common inheritance."

Gamboa said later that the 32 countries which have signed the Antarctic Treaty cannot be accused of being selfish, since they represent more than 50 percent of the world population and they are supported by "a historical position of rights" over the continent.

"We are the owners. I clearly said this during the Antarctic conference. It is a vital matter for Chile. Our country is not only interested in it, but we are practically an Antarctic country. We live a few hours away from the Antarctic and we are linked and influenced by it and its maritime currents, the weather, the food sources and the way of life," Gamboa said.

/9599

CSO: 3348/141

CHILE

BRIEFS

OPPOSITION LEADER OFFERS PRESS CONFERENCE--Mirella (Baltra), chairwoman of the Chilean Committee for Solidarity With the Anti-fascist Struggle, has offered a press conference at that organizations' headquarters in our capital. The Chilean leader referred to the present repressive wave in her country which is characterized by the arrest of political, trade union, and student leaders. She indicated that during the last protest event at the beginning of September, the outcome of the regime's repression was 6 dead, 22 injured, and 577 arrests. She stressed that the dictatorship's crisis is worsened by the big foreign debt. Chile owes \$22 billion, has a high inflation rate, and loss of real income [salario real]. In the social sphere, the people's struggle is becoming more radical and this opens the possibilities of reconquering freedom and democracy. Mirella (Blatra) announced that as an initial step for the people's movement's greater offensive, a protest event and national strike is being called for 5 November. This will have complete support from abroad. She asserted that Pinochet is living his most difficult times, by being isolated internationally, and without being able to control the people's struggle in the country. [Text] [Havana Television Service in Spanish 0100 GMT 29 Oct 85]

WOMEN ARRESTED IN SANTIAGO--Five women, among them the leader of the women's branch of the National Union Board, Maria (Rosas), were arrested a few minutes ago at the Bulnes Plaza. The women were arrested when Carabineros dispersed everyone in the plaza. A strong police contingent is now on Bernardo O'Higgins Avenue between Teatinos and Morande Streets but the situation is relatively calm. It is believed that the women were taken to the Carabineros first precinct building. After the women were arrested, those at Bulnes Plaza distributed pamphlets and shouted antigovernment slogans. [Text] [Santiago Radio Chilena in Spanish 2200 GMT 4 Nov 85]

MAGAZINE DIRECTOR ACQUITTED--The Eighth Appellate Court of Santiago today confirmed the ruling of trial Judge Ricardo Galves Blanco and temporarily acquitted FORTIN MAPOCHO Director Felipe Pozo for lack of sufficient evidence of his purported crimes. Felipe Pozo was standing trial on charges leveled by the Interior Ministry that accused the director of FORTIN MAPOCHO magazine of infringing several articles of the internal security law through articles and reports published in his magazine. [Text] [Santiago Radio Chilena in Spanish 2200 GMT 28 Oct 85 PY]

COLOMBIA

CANDIDATE PROPOSES BIPARTISAN SUPPORT

Bogota EL TIEMPO in Spanish 6 Oct 85 p 6-A

[Text] Virgilio Barco, liberalism's candidate and leader, said yesterday in Cali that there will be a liberal government with liberal programs to benefit all Colombians. However, he stated that a sectarian position will not be adopted "because the social problems in Colombia are not sectarian."

Barco spoke at the Cali Municipal Council. He stated that when he is elected, he will call in the party that comes in second in order to give it "good and fair" participation based on Article 120 of the Constitution. Barco said: "That is when the bipartisan consensus that concerns former president Misael Pastrana Borrero must be achieved. As leader of my party, I could ill afford to propose now or agree beforehand to a bipartisan programmatic understanding and present it to the Colombians during this election campaign."

He felt that this would be equivalent to reviving the bipartisan single slate of the National Front or establishing nonpartisanism since the programmatic understanding that the conservative party proposes would only be possible with a candidate who takes responsibility for its execution.

The liberal candidate revealed: "Only at the right time, and not before May 1986, will we seek a programmatic agreement. We will not sacrifice the partisan ideas that will be subject to the scrutiny of the public."

He explained that there will be room in that agreement for all those forces that are willing to endorse that program and identify with it. Then they can assume the subsequent political responsibility.

CSO: 3348/59

COLOMBIA

NEW LIBERAL CANDIDATE PROPOSES URBAN RENEWAL PROGRAM

Bogota EL TIEMPO in Spanish 5 Oct 85 p 6-C

[Article by Gloria Vallejo, special correspondent]

[Text] Pereira, 4 Oct--At the Ninth Realtors Congress held here, candidate Luis Carlos Galan proposed a vast urban renewal program that would end the current chaotic growth of the cities in this country.

Galan said: "This program would provide regular public services, involve the community in administrative management and respond to housing needs."

The candidate analyzed urban life in Colombia now. He stated that, in the last 30 years, the country has experienced the equivalent of a real revolution in urban development that has changed family relations, the population distribution in the country, economic relations among Colombians and the nature of the circumstances in which these develop. He noted, however, that this change occurred without any real presence by the state to set policies that would permit organized development.

Galan reported that his movement introduced a bill on urban reform to the full Senate this week. It contained the urban renewal program that the first new liberalism congress approved in August.

The senator said that the current population distribution in Colombia shows that approximately 70 percent lives in cities. He stated that this will become clearer after the National Population and Housing Census is taken this month. He called it very important since it will provide the information that is needed so that the next national government and the community can orient their activities and goals toward the future. He said: "It will also give us a panorama of the priorities for public investments from now until the end of this century."

Proposal for Reform

Galan's proposal includes, first of all, a reform of the territorial system of the country. It eliminates the current centralism that does not permit regional development and has sentenced most of the 1,000 municipalities in the country to die.

The candidate indicated that migration is related to rural demographics where the birth rate is very high. However, although those peasants come to the cities and fill the shantytowns and suburban zones, they are still better off there than in the countryside. Therefore, the discontent in the cities does not come from them but from other social strata like the middle class which has had the option of analyzing its own situation.

He emphasized that priority in the cities must be oriented toward the supply of social public services that meet the needs of the community.

He stated that a social housing policy incorporating the experience gained in the current government's housing program--which he called very valuable--is essential.

7717

CSO: 3348/59

COLOMBIA

BRIEFS

INDUSTRY EXHAUSTING PROPANE SUPPLY--Cali, 5 Oct--Large industries and some automotive plants in different regions of the country are consuming an increasing amount of the propane allocated for domestic use. For that reason, cities like Bogota are not receiving that fuel. This was pointed out to Alfredo Carvajal Sinisterra, president of ECOPETROL [Colombian Petroleum Enterprise], at the 15th National Congress on Public Works Engineering held by the ACIC. Carvajal Sinisterra said that they are investigating what is happening to the propane in the main cities so that the neediest sectors where propane is used for cooking are not hurt by that situation. Speaking to 300 engineers, he said that national oil reserves are increasing rapidly. That guarantees the self-sufficiency that has been sought for several years. He announced that they will explore for oil in Putumayo, in association with Amoco. He said that reserves in other ECOPETROL deposits have been larger than expected. Future oil production in Colombia is estimated as follows: 1986, 293,000 barrels per day; 1987, 346,000 barrels per day; and 1988, 388,000 barrels per day. In 1992, this will go down to 342,000. Therefore, the country needs to find a well like Cano Limon every 10 years. [By German Navarrete, special correspondent] [Text] [Bogota EL TIEMPO in Spanish 6 Oct 85 p 6-B] 7717

FOREIGN RESERVES INCREASE--Colombia's foreign reserves have increased \$67.2 million this year as of 6 September, according to the latest report on the currency exchange balance of the country by the Bank of the Republic. On that date, the country's foreign assets--whose drop constituted the main headache for economic authorities--reached a balance of \$1,954,600,000. In the same period last year, those assets reached \$1,677,700,000. However, at the end of 1984, the balance was \$1,887,400,000 which, when compared to the amount on 6 September, means an increase of \$67.2 million. The net capital movement recorded in the currency exchange balance contributed to that favorable change since the result in the current account was a deficit of \$176.1 million. [Text] [Bogota EL TIEMPO in Spanish 4 Oct 85 p 7-B] 7717

CSO: 3348/59

CUBA

BRAZILIAN PRIEST'S NEW BOOK ON CASTRO REVIEWED

Sao Paulo VEJA in Portuguese 9 Oct 85 pp 134-136

[Excerpts] The conversation totaled 23 hours divided into four meetings held last May in Havana, the capital of Cuba. Discussions covered communism and capitalism, sports, education, the foreign debt and even cooking. The connecting thread of the talks, however, was always the Catholic religion, with analyses of Bible passages, the lives of the saints and the history of the church from the times of Jesus Christ to Pope John Paul II. On one side, in his unfailing olive-green uniform, was Fidel Castro, 59 years old, the chief of state of Cuba; on the other was Frei Betto, the Brazilian Dominican who is in the forefront of the so-called progressive clergy. As of this Thursday, when the first of the 20,000 copies of "Fidel and Religion-Conversations With Frei Betto" ["Fidel e a Religiao-Conversas com Frei Betto"] (Brasiliense, 384 pages, 48,600 cruzeiros) begin to reach the bookstores, Brazilians will be able to read one of the most revealing books published in this country in recent years.

The book is unique. In the first place, because it shows a communist leader speaking at length about his childhood, his family, the education he received and, of course, his political activism. Never has a Marxist leader opened up so much in an interview, relating details of his personal life, his relatives, friends and comrades in struggle, in contrast to the general rule in the case of the communists, in which the biographies are official and the information is obtained from second-hand sources. In the second place, "Fidel and Religion" is surprising because of the opinions expressed by the Cuban leader. Here again, never has a chief of state been seen to comment in such depth about religion as in Frei Betto's book. Until now, for the Marxists, religion has been no more than the "opiate of the people," in Karl Marx's famous phrase, an irremediable instrument of oppression to be combated unflaggingly by the communists.

State Case

It becomes clear from a reading of "Fidel and Religion" that Castro found in Frei Betto the ideal interlocutor for discussing the changes he wants to make in relations between the government and the church in Cuba--naturally with an eye on the role that the new clergy with leftist leanings has played in the

countries of Latin America. So much so that the book was considered a state case: Castro personally reviewed the transcript of the recorded tapes of his interview and, before authorizing its publication in Brazil, submitted it for the consideration of the Central Committee of the Communist Party of Cuba. The members of the Central Committee were startled by a segment in which Betto and Castro discuss the refusal of the Communist Party to accept Christian members into its ranks. The friar even proposes that at the next party congress in February the statutes of the organization be modified in order to permit the admission of the religious. Fidel replies that the idea is correct in principle but considers it premature to make the change at the next party congress.

Castro defended the publication of the book at the meeting of the Central Committee, arguing that the ideas expressed about the atheism of the party are Frei Betto's and not his. The Communist Party leadership finally authorized publication and went further: it decided to publish "Fidel and Religion" in Cuba next month in a 600,000-copy edition. The obvious purpose of the publication is to gain the sympathy of the island's Catholic community, comprised of 10 bishops, 400 priests and nuns and a flock estimated at 500,000 faithful out of a total population of 10 million inhabitants. "I prefer that all who have revolutionary virtues, independently of their religious convictions, be united with the revolution," Castro told Frei Betto in his interview.

Frei Betto was Castro's best interlocutor in that undertaking because he seeks objectives similar to those of the Cuban leader: rapprochement between communists and Catholics, both in Cuba and in all of Latin America. He went to Cuba for the first time in 1981, returning to that country 12 more times. "Four years ago, eight out of 10 Christian youths wanted to leave Cuba," he recalls. "Today, the proportion is reversed--only two out 10--and I believe I contributed a little to that." In his meetings with Cuban Catholics, Betto seeks to convince them that the church has to find ways of coexisting with socialism. In his talks with the communist government leaders, the friar seeks to be the spokesman of two principal demands of the Cuban clergy: access to public opinion through newspapers or radio stations and an end to the discrimination against Christians.

Stupid Parties

"If Fidel has his purposes with the book, I also have my own," said Frei Betto. "The important thing is that we are friends and one is not manipulating the other." The friar believes that "Fidel and Religion" will have a positive impact, especially among the Latin American left. "The traditional leftist parties in our continent were stupid in antagonizing popular religiousness," he said. "I believe that Fidel's interview is going to contribute to the Latin America communists abandoning some of their positivist prejudices, taking into account the religiousness of the workers and peasants in their practical activity."

For Fidel Castro's part, he does not appear to be very interested in changing the behavior of the communist parties of Latin America. His objective is to gain the sympathy of the clergy--especially the segment linked with the theology of liberation--the government and the Catholics of Brazil, showing himself to be tolerant and open to change. The times are long gone when Castro appropriated funds for Brazilian terrorist organizations such as the National Liberation Alliance of Carlos Marighella who, in the mid-sixties, was aided by Frei Betto. Whether one agrees or not with the Cuban leader's ideas, "Fidel and Religion" deserves to be read for what it contains that is unusual and surprising. With good reason, Frei Betto considers that Castro "spoke with an open heart, without evading any question."

8711/12951

CSO: 3242/1

CUBA

8 PERCENT PRODUCTION INCREASE IN FISHING INDUSTRY

Havana GRANMA in Spanish 9 Sep 85 p 1

[Article by Fernando Davalos]

[Text] The commercial production of the fishing industry rose by 8 percent in the first 6 months of 1985 with respect to the same period of last year, which represents an increase of 13.5 million pesos, it was reported at the evaluation of the special emulation program known as "Full Blast." The evaluation was held at the Lazaro Pena School of the Central Organization of Cuban Trade Unions (CTC).

In terms of value, the Fishing Industry Ministry's plan was achieved 103 percent in the first 6 months, which means an increase of 5.2 million pesos. This achievement was accompanied by the extraordinary stimulation of coinciding with the sector's report to the National Assembly of the People's Government in its session last July.

The results of this fishing-industrial effort, which were revealed at the aforementioned evaluation by Roberto Torres, member of the CTC National Secretariat, include a drop of 18 centavos in the per-peso cost of commercial production below the figure called for in the plan. Ninety-four percent of the plan for the overall catch has been achieved, and exports to the hard-currency countries are above the levels indicated in the plan. Moreover, the results for lobsters, shrimp, shipping construction and the industrial processing of the catch are good as well.

Aquiculture, which has traditionally met its plans well, attained 94 percent compliance during the 6-month period due to the water shortage stemming from the drought.

"The remaining months of the year have a lot of work in store for us," stated Roberto Torres, who called upon everyone to redouble efforts to meet the commitment of honor made during the 3rd Congress.

The results of the emulation program that were released indicate that Batabano is the best industrial fishing complex in the country; Chullima is the best shipyard; Ciego de Avila has the best aquiculture unit; and the best wholesale enterprise is that of the Isle of Youth.

Among the lobster boats, the best was Ferro 22 of the province of Granma; the best shrimp boat was number 25 of Cienfuegos. Of the vessels that fish for species with scales, Unit 5 of Caibarien took first place among net boats, and the ship Ana Olga of Ciego de Avila was the best of the vessels using other methods. As for tuna, Cayo Largo 39 of Pinar del Rio won the honors; Jaruco 168, also of that province, was the best oyster-gathering vessel; Unit 9 of Caibarien had the best results in gathering sponges; and in turtles, the best was Sigma 10 of Morrillo.

The best high-seas vessel was the super-trawler Rio Las Casas, of the Cuban Fishing Fleet; the best aquiculture brigade was the one from the province of Holguin.

8926

CSO: 3248/27

CUBA

STEEL PRODUCTION UP 12 PERCENT AT MID-YEAR

Havana GRANMA in Spanish 11 Sep 85 p 1

[Article by Joaquin Oramas]

[Text] As of August of this year, the workers of the steel industry had produced goods valued at 479 million pesos, which represents a 12 percent growth rate over the 1984 figure for the same period.

The news was announced at the national committee meeting of the Metallurgical Workers Union, which was held yesterday at the Jose Antonio Echeverria Social Club. Marcos Lage, minister of the steel industry, made a special speech in which he pointed out that it is very important to meet the goals of the plan to supply the enterprises of this sector.

He stated that all the entities of the steel industry are in a position to meet their production commitments, despite the delays in some companies caused by the failure to deliver raw materials on time.

In another speech, Jose Corona, vice-minister of the steel industry, announced that a technical-economic plan is being studied for 1986 to produce 884 million pesos worth of products. This would be a growth of more than 10 percent over the figure for this year.

At the meeting, which was chaired by Angel Villarreal, secretary general of the union, it was reported that in the first 6 months of the year metalworkers produced slightly more than 439 million pesos worth of goods. This figure includes the results of the steel industry during that period, as well as that of the other workers who belong to this organization. The volume represents 98 percent of the total called for in the plan.

Of the 35 principal areas of production, only 11 showed results in keeping with the respective plans. The other products were affected primarily by the lack of technical-material supplies and imported components. The union will promote a period of special effort by metalworkers, to be called Triumph of the Revolution, to eliminate lags in plan compliance. This period will begin on 1 October and will last until 31 December.

Problems related to the conservation of raw materials and other inputs were discussed at the meeting. The situation of refractory recovery was also mentioned: Only 973 tons was recovered in the first 6 months, which is only 18 percent of total consumption.

The special emulation program involving the profitability of the enterprises and establishments was another topic on the agenda, and it was noted that this program had not yielded very good results during the 6 months. Of the 99 firms involved in the emulation program, 75 are profitable and 42 have met their profit goals. Work was described as deficient in the establishments, as only 14 reported compliance with the plan during the period in question.

The members of the national committee examined the situation of the steel industry workers' unions, and the effort of the workers of Antillana Steel to make up for lost time in meeting their commitment to produce 400,000 tons of steel this year were also discussed. The meeting ends today.

8926

CSO: 3248/27

EL SALVADOR

FORTIN MAGANA RESIGNS FROM DEMOCRATIC ACTION PARTY

PA251603 San Salvador EL DIARIO DE HOY in Spanish 22 Oct 85 pp 3, 53

[Text] Dr Rene Fortin Magana yesterday tendered his irrevocable resignation as a member of the Democratic Action Party [AD]. Deputy Fortin Magana, who founded the party, announced that his resignation became effective yesterday, Monday.

In a brief note sent to the party's Board of Directors, Fortin Magana says without further explanation that his separation from the party is due to "radical and irreconcilable differences with the party's new line, which was imposed after the convention held on 18 June 1985."

He also says his resignation is due to his disagreement with the members of the Board of Directors.

The party, created 4 or 5 years ago, participated in the election for deputies to the Constituent Assembly in 1982. On that occasion it won two seats to the Salvadoran parliament, which were held by Drs Luis Nelson Segovia and Ricardo Gonzalez Camacho. Gonzalez Camacho is the party's current secretary general and the government's economy minister.

When the so-called national unity government was organized led by Dr Alvaro Magana, several party members held posts as ministers and heads of autonomous and semi-autonomous institutions.

As for the present administration, AD reached a political agreement with the Christian Democracy and in exchange for support obtained several government posts for AD leaders.

When the time came to make this agreement effective, the Christian Democrats made certain demands and outlined the guidelines that were to be followed by AD. These were accepted only by one of the party's factions which was willing to buy its power quota regardless of cost, even if it meant moving away from the party's constitutive statutes. Now AD is being labeled a "masked fish." [A fish is a symbol of the POC.]

Some time ago Fortin Magana's loyalty to AD principles led to what became known as "a party coup" and his removal from the general secretariat.

It was then that what is now known as Orthodox Democratic Action emerged under the leadership of Fortin Magana, who has several followers.

Now that Fortin Magana has resigned, there is speculation that another political party will emerge under his leadership.

/8918

CSO: 3248/48

EL SALVADOR

FDR VIEWS LA PALMA ANNIVERSARY

PA261506 San Salvador EL MUNDO in Spanish 22 Oct 85 p 27

[Paid advertisement from the National Revolutionary Movement, MNR, Social Christian People's Movement (MPSC) and the FDR--undated]

[Text] One year has elapsed since the beginning of the talks between the FDR-FMLN, Duarte's government, and the Armed Forces. The anniversary of this date which brought hopes to our people is a good moment to resume the dialogue and to implement the agreements reached in Ayagualo. To this end, the FDR parties would like to present some considerations and to make a specific proposal in this respect.

Some people believe that the dialogue has been closed. After the first two meetings, Duarte has refused to return to the bargaining table, although the FDR-FMLN has proposed doing so on four occasions. The agreements reached in La Palma and Ayagualo have been ignored by the government in the areas concerning the exchange of prisoners of war and wounded troops, the coordination of the participation of all the national sectors in the process for a political solution, the discussion of the proposals made by the two sides, etc.

However, dialogue and negotiation as the means to find a political solution are more necessary today than ever, because they are part of the aspirations and demands of the majority sectors. This has been evidenced by the fact that the labor unions, popular organizations, churches, the UCA [Central American University], the National University, and the forum promoted by the PCN [National Conciliation Party] have come to the same conclusion and have openly demanded the resumption of the dialogue and the search for a negotiated political solution.

On the occasion of the first anniversary of the La Palma talks, the FDR's Social Christian Peoples Movement, MPSC, and the National Revolutionary Movement, MNR, present the following recommendations and proposals to the national public opinion, particularly to the organized sectors, with the aim of strengthening the national consensus in favor of dialogue and providing steps toward its implementation.

The fact that the internal war has continued for 5 years is a direct consequence of the policy imposed on El Salvador by the Reagan administration, as the extension of the war only favors the interests of the U.S. Government and

of a small group of Salvadorans who derive political and economic benefits from it.

The interests of the U.S. Government and its internal allies have led to a political-military project that has only brought frustrations, mourning, sufferings, helplessness, and silence to the vast majority of our people.

This is so because the Reagan administration does not represent the interests of the Salvadoran nation, and only seeks to preserve its government's imperial prestige, because the Salvadoran Government has accepted the fact that its future depends on its clinging to the United States, and in sum, because our national sovereignty has been reduced to zero.

Therefore, the MNR and the MPSC consider that stubbornly prolonging the war as the only instrument to solve the difficult situation faced by our people and country is neither rational nor humane. Year after year, the people and the international public opinion confirm that the triumphant statements made by the COPREFA [Armed Forces Press Committee] and of the U.S. State Department are only springtime flowers that bloom and quickly dry up, and that they clash with the reality of an armed conflict that is growing and worsening, and that the bleeding we are now experiencing can cause grave and irreparable damage. In other words, the MPSC and the MNR maintain that the imposed extension of the war is not the solution to the Salvadoran problems.

[PA261507] At the same time, this situation has shown that the traditional models and patterns that have permitted the right to maintain its privileges at the expense of the sacrifice of the overall society and of our national sovereignty are already obsolete, and have no future. Whether they admit it or not, the divisions and internal conflicts among them are proof of this.

In view of this situation, we can only strengthen the national consensus, so that with the force of the majorities' desire, we may retake the flag of our independence and firmly advance in building our own future. The national consensus is based on a double-axis: In the face of the selfish ideological vision of Reagan and his group, the consensus of the national majority is that the war is a just reaction in view of the permanent closure of all possibilities of genuine and free expression of the popular interests. It is therefore the result of a social unbalance that only benefits the wealthy minorities in our country and the interests of imperialism.

At the same time, however, it is necessary and urgent to achieve peace, overcoming the state of war. Peace, which is an irrevocable desire of the broadest popular sectors, can also be achieved through a continuous process or dialogue and negotiation, reaching substantial and general agreements that can reduce the social costs resulting from the armed conflict.

These statements have such broad national and international support that they surpass our own interests as the FDR-FMLN, the interests of Duarte and his group, and those of the Armed Forces as an institution.

Based on these considerations, and in order to return to the path of dialogue and negotiation, our MNR and MPSC parties propose:

A. That the government and the FDR-FMLN formally and publicly assume the commitments agreed on in La Palma and Ayagualo as irreversible decisions, and implement them immediately. Specifically, this means: continuing with the dialogue; organizing the effective participation of all the national sectors in the debates for a political solution, through a national forum or dialogue; formally ratifying the regulations agreed on in Ayagualo, and implementing a special commission; and implementing the Ayagualo agreement regarding the exchange of prisoners and treatment of wounded fighters.

B. As an immediate demonstration of our determination to recover our national sovereignty, which originally belonged to our Indian ancestors, an agreement must be reached between the government and the FDR-FMLN on a supervised arms moratorium for a specific period of time. This means that during the time agreed, neither the Armed Forces nor the FMLN will receive weapons or ammunition from abroad.

C. As an immediate demonstration of the willingness to achieve peace with liberty for all the Salvadorans, the two belligerent parties will commit themselves to halting all exceptional or illegal actions against civilians, regardless of their status or ideology. This means a halt to the policy whereby members of popular organizations disappear, a halt to the forceful eviction of peasants, and halt to civilian kidnappings.

We believe that on this basis, and by solving our problems strictly among Salvadorans, we can return to the path on which we embarked 1 year ago in La Palma, and that we will be able to achieve the goal for which we have struggle for so many years: a new form of social organization of our own that can guarantee security, dignity, and well-being for all.

/9365

CSQ: 3248/52

GUATEMALA

GOVERNMENT TIGHTENS FOREIGN EXCHANGE CONTROLS

Decree Published

Guatemala City PRENSA LIBRE in Spanish 6 Sep 85 p 9

[Text] Those who sell foreign exchange or dollars other than to the banks in the authorized system will be liable to imprisonment of from 2 to 5 years, according to the provisions of Decree Law No 94-85 (Foreign Exchange Violations), which was promulgated by the national authorities yesterday afternoon.

This legal document, designed to avoid the collapse of the national currency and to put an end to speculation in dollars, reads as follows:

"Decree Law No 94-85:

Whereas:

In accordance with Article 61 of the National Constitution, the state has the authority to regulate currency, for the purpose of creating and maintaining monetary, foreign exchange and credit conditions favorable to the development of the national economy;

And whereas:

The monetary law and the regulations promulgated on the basis of that law set forth the monetary and foreign exchange regime for the country, and violations thereof have a negative effect on the stability of the national currency, such that it becomes necessary to provide penal sanctions for those who commit certain violations of that regime; the chief of state therefore:

In accordance with the authority invested in him by Article 4 of the State Constitution, amended by Decree Laws Nos 36-82 and 87-83,

Decrees:

Article 1. Decree No 17-73 of the Congress of the Republic (Penal Code) is amended by the addition of Article 342-A, to read as follows:

Article 342-A (Foreign Exchange Violations). A foreign exchange violation is committed by:

1. Those who fail to sell the foreign exchange they are required to negotiate to the Bank of Guatemala or other banks in the system authorized for foreign exchange operations within the legal time period established;
2. Those who, without legal authorization, habitually and for purposes of profit engage in the purchase and sale of foreign exchange;
3. Those who, for the purpose of carrying out imports or exports, create or make use of invoices or other documents which are false, or which contain false or incorrect data, about the value, quantity, quality or other characteristics of these operations;
4. Those who effect exports without previously having obtained the legally required foreign exchange license for export or other authorization; and
5. Those who fraudulently or deceitfully obtain licenses for acquiring foreign exchange on the market for making basic payments or the competitive bid market, or who use such foreign exchange for purposes other than those for which authorization was granted.

Those committing foreign exchange violations will be liable to prison sentences of 2 to 5 years. In addition, fines equivalent to the amount of the illicit transaction will be imposed, when that quantity can be determined, or if not, in the amount of 500 to 5,000 quetzales.

Article 2. The provisions of this decree law will cease to be effective when the foreign exchange restrictions to which the second part of the monetary law refers are fully terminated.

Article 3. This decree law will be in effect as of the day following its publication in the DIARIO OFICIAL.

Signed at the National Palace, in the city of Guatemala, on the fourth day of September in the year one thousand nine hundred and eighty-five.

It is hereby ordered that this decree law be published and implemented.

General Oscar Humberto Mejia Victores"

Central Bank Recommendations

Guatemala City EL GRAFICO (La Revista supplement) in Spanish 8 Sep 85 p 19

[Text] Foreign exchange crime and further emergency measures to deal with the economic crisis were the focus of the economic provisions approved by the Monetary Council last Wednesday, 4 September, for recommendation to the chief of state within the context of the current political situation.

Foreign exchange violations had been taken up by the Monetary Council in the session held a week earlier, and it rejected the report delivered because it deemed it insufficient, given the current situation the country is experiencing. However, without the unanimous recommendation of the Monetary Council, Decree Law No 84-85, proposed by the foreign exchange department at the Bank of Guatemala, was published in the DIARIO DE CENTROAMERICA on Thursday, describing so-called "foreign exchange crimes" for the second time this year.

The directors of the Bank of Guatemala presented the Monetary Council with a voluminous document entitled "Foreign Exchange Standardization Within a Program of Adjustment," which also served as the basis for the recommendation of a 15 percent wage increase. According to this study, such an increase will make it possible to absorb the impact of the rise in prices resulting from the augmentation for imported products. All of this is justified by the value of the quetzal in relation to the U.S. dollar.

The following are the conclusions and recommendations in this document, as obtained on an exclusive basis from a source in the economic cabinet.

Conclusions

1. The world economic recession, expansionist policies in the fiscal and monetary sector on the domestic level during the period between 1979 and 1982, the deterioration of the terms of trade, political uncertainty in the region and the drastic reduction in foreign financing resulted in the weakening of the reserve position, beginning at the end of 1981.

To counteract the decline in reserves, the country found itself forced to contract foreign loans to strengthen the balance of payments, as well as to establish a system of restrictions on imports. Despite the above and the control of transfers of capital abroad imposed in 1980, the country accumulated back payments due to foreign creditors in an amount of more than U.S.\$ 500 million during the period between 1982 and 1984, on which credit had to be obtained in order to guarantee payment to foreign suppliers and thus to avoid paralyzing supplies to the country.

3. In order to obtain more extensive medium- and long-term financial support, a stand-by agreement was signed with the International Monetary Fund in 1983 for an amount of U.S.\$120 million, of which only U.S.\$60 million was paid out, because that agreement was suspended by the Fund when the promised fiscal measures were not adopted. The suspension of this agreement led to the virtual suspension of foreign financing, both institutional and commercial.

4. The accumulation of back payments, the impossibility of obtaining financing under favorable conditions, and the growing imbalance between foreign exchange supply and demand made the adoption of a system of multiple foreign exchange rates, with the authorization of a parallel market under the terms established in the second part of the monetary law, inevitable. This system was to be temporary, and was designed gradually to obtain a new balanced foreign exchange rate, this latter concern being due to the long tradition of foreign exchange stability throughout the preceding 60 years. On

the other hand, so that this measure would lead to adjustment, it was to be accompanied by other measures in the fiscal and monetary sector.

The fact that fiscal and monetary measures to supplement the foreign exchange measures were not adopted, as well as the continued imbalance between foreign currency supply and demand, favored a rapid rise in the exchange rate on the parallel market. The weak response in foreign exchange supply, independent of extraeconomic aspects, was a result of the multiplicity of foreign exchange rates currently in existence because of the greater and lesser advantages they offer exporters, the main source of foreign exchange income.

The speedy rise in the exchange rate on the parallel market led to an inflationary process of unprecedented magnitude, which, if it were to continue longer, would threaten the stability of the country and the growth and development efforts.

7. The imbalance on the official market in terms of foreign exchange income and the demand which must be met forced the Bank of Guatemala to purchase foreign exchange on the parallel market, which gave rise to a new and expansive source of monetary issues with negative effects on the stability of the exchange rate and prices.

8. In addition, the multiple foreign exchange rate system has given rise to subsidies for imports, leading to an increase in currency issues.

9. The foreign exchange problem makes it essential that adjustment measures be adopted in the foreign exchange, fiscal and monetary sectors. In the first mentioned, standardization of the exchange rate cannot be postponed, and in the other two, there is an urgent need for the adoption of fiscal and monetary measures which will contribute to stabilizing the exchange rate.

10. Foreign exchange standardization would put an end to the mechanism of foreign exchange subsidies and expansive monetary issues, would give the foreign exchange market greater clarity, would adapt prices to the reality in terms of costs and would facilitate better control by the Bank of Guatemala.

11. The foreign exchange, fiscal and monetary measures approved with a view to adjustment should be accompanied by a cautious policy in the wage sector, and should come within a context of overall economic policy planning which will favor production, the diversification of exports, a reduction in unemployment and, in general, the strengthening of the domestic market.

12. If such measures are not approved, the deterioration in the exchange rate on the parallel market will continue to develop indefinitely, since under precisely the current circumstances, the exchange rate is the symptom of the country's economic and financial imbalances and the escape valve through which adjustment is sought if measures are not adopted. Bearing the goals of stability, growth and development in mind, a continuation of the current situation is not desirable, and as a result adjustment measures must be approved as described above, and they are even a prerequisite for the reopening of the international financial markets on the institutional and private levels. This in turn is an indispensable requirement if the country

is to be able to renegotiate a part of its foreign debt and obtain fresh resources which will enable it to defer the payment of nonrenegotiable commitments and maintain adequate support for the financing of development programs.

Recommendations

On the basis of the above considerations, the Monetary Council, aware of its responsibility with regard to the current situation and the prospects for the national economy, in particular the foreign exchange question, and with respect for the approach the government has adopted toward the requirements of the election process, recommends the following.

a) That as soon as deemed viable, the necessary measures be adopted in the realm of fuel prices and public service rates, so that the Monetary Council can transfer the imports of fuels, agricultural supplies, medicines and raw materials for their production, as well as wheat, to a standardized foreign exchange market. The Monetary Council indicates its readiness to assume the responsibilities and political risks inherent in this decision, which by law falls to it alone.

b) This measure should be implemented as soon as political conditions permit, in the judgment of the government of the republic, with a clear awareness that the longer it is delayed, the more drastic the effects will be.

c) In order to make the adoption of foreign exchange standardization viable, progress should be made in the process of domestic agreement launched by certain officials in the economic cabinet, as well as in the process of foreign financing administration initiated by the Multisectorial Foreign Financing Commission appointed by the Technical Commission for National Dialogue.

d) Until foreign exchange standardization is carried out, no wage adjustment should be made entailing a budget increase for the government or any of the decentralized state institutions. Otherwise, an increase in the budget deficit of the public sector would be promoted, with incalculable consequences on the rate of exchange and on the general price level, without at the same time establishing measures which would offset its destabilizing effects.

e) The necessary fiscal measures, some of which have been described in this document, should be implemented, with a view to reducing the public sector deficit, including the foreign exchange losses of the Bank of Guatemala, to 1 percent of the gross domestic product in 1986, from the 4 or 4.5 percent which it might reach. Just as has been explained here, these measures should work to support the goals of the stabilization program.

f) This document should be adopted as a frame of reference and basic criteria for the implementation of a program for stabilizing the economy.

UCN Opposes Decree

Guatemala City EL GRAFICO in Spanish 11 Sep 85 pp 8, 24

[Text] 10 September--The National Center Union, in view of the promulgation by the government of the republic of Decree Law 94-85, which describes what is called foreign exchange crime, has issued the following statements today.

It understands and agrees with the need to put an end to the abuses which have been committed, doing obvious harm to the national economy, through overbilling on export invoices and underbilling on import invoices. This practice has done serious damage to the national economy, and will continue to do so ever increasingly if it is not brought abruptly to an end. However, as on so many other occasions, a wrongful remedy for a real evil has been found.

The value of the quetzal on the market is governed by the economic force of dollar supply and demand, which is based primarily on the real purchasing power of the quetzal. It is not by decrees of this kind that these market forces can be slowed. However, if they are subject to penal sanctions, they will inevitably lead to the development of a secret black market which will do even worse damage to the national economy.

The vague and inaccurate description of the actions termed crimes in this new law constitutes a real threat to the people in general and in particular to the hundreds of Guatemalan families who receive small dollar sums in the form of money orders and other instruments sent them by relatives who live and work abroad, and who seek in this way to aid their families, now experiencing difficulties because of the anguishing economic situation in Guatemala. Presumably, if a foreign exchange crime complaint is presented to a judge, he will have to ask the Bank of Guatemala to tell him precisely what foreign exchange must be negotiated, with whom, where and how. This is simply legislation by means of regulation, which is illegal and unacceptable.

Mention has already been made of the basic error in the law, which seeks to add a new case to Article 342 of the Penal Code dealing with speculation, instead of directly punishing those responsible for the situation. These are the individuals who falsify accounting records, invoices and other documents. Technically, the proper thing would have been to include all these matters within the scope of the provisions of Chapter II of Title III of the Penal Code, which deals with the falsification of documents.

The National Center Union, concerned about the hasty and nontechnical creation of this new crime, calls the attention of the public and the government to it, so that provisions abrogating this decree law can be adopted and so that it can be replaced with proper legislation of better technical quality.

5157
CS0: 3248/20

MEXICO

VELAZQUEZ REELECTION, CHOICE OF SUCCESSOR OCCUPIES CTM

Survey Conducted by Calderon

Mexico City EXCELSIOR in Spanish 9 Aug 85 p 4-A

[Text] After proposing that Fidel Velazquez, 85 years of age, continue as secretary general of the CTM [Confederation of Mexican Workers] during the 1986-1992 6-year term, Joaquin Gamboa Pascoe, CTM leader in the capital city, said yesterday that at the current crossroads at which Mexico finds itself, "the national workers' movement cannot allow itself the luxury of failing to have its best man at its head."

Furthermore, he said that "although Fidel Velazquez may have planned to retire, the workers of Mexico cannot give him this chance, nor can the republic, at this time."

Alfonso Gil Calderon, vice president of a commission entrusted with a survey on the national level as to whether the CTM base-level groups want Fidel Velazquez reelected or not, said for his part that he had heard no opinions "opposed to the continuation of Comrade Fidel at the head of the secretariat general of the CTM."

These statements were made at midday yesterday during a plenary session of the officers of the Federation of Federal District Workers (FTDF), an affiliate of the CTM. During this meeting, Gamboa Pascoe presented Calderon with the minutes of 2,543 workers' assemblies at which, this leader said, the participants voiced their support for the reelection of Velazquez.

Gamboa said that in the 632 unions which make up the federation he heads, including 684,325 workers, there was a consensus on the reelection of Velazquez in February of 1986 "because of his capacity and higher merits, which identify him as the most distinguished member of the CTM."

It is thanks to Fidel Velazquez, he assured his hearers, that the main workers' gains have been won, from payment for the seventh vacation day to the sharing of profits and the right to housing.

Alfonso G. Calderon, former governor of Sinalca and adjunct secretary general of the CTM, made his reappearance in trade union circles yesterday after

losing his post last week at the Secretariat of Fisheries because of the elimination of the Undersecretariat of Fishing Development, which he headed.

He stressed that within the Labor Congress, the majority union and the leading voice is the CTM. "For this reason," he added, "the establishment of the Labor Congress had no other purpose than to facilitate the creation in Mexico of a central union in the future. This, moreover, was the view of Fidel Velazquez."

He announced that at the next national council meeting of the CTM, to be held on 26, 27 and 28 August of this year in the city of Queretaro, CTM members will hear a report to the effect that the survey commission on the reelection of Fidel Velazquez has completed its task.

He further said that the reelection of Velazquez will be made official by February of 1986, when that union holds its 11th regular congress, although, he said, no one has voiced opposition to the continuation of Fidel Velazquez at the head of the CTM.

Velazquez' Political Aims

Mexico City EXCELSIOR in Spanish 27 Aug 85 pp 5-A, 23-A, 31-A

[From "Political Fronts" column, by Guillermo C. Zetina]

[Text] Fidel Velazquez has, among other CTM political achievements, succeeded in placing his supporters as governors. They include Trueba Urbina in the past, and now such cases as Calderon in Sinaloa, Carrillo in Campeche, Camacho in Queretaro and Emilio Gonzalez in Nayarit, all proclaiming the proletarian force in Mexican politics. However, there is something which has not yet been achieved: having one CTM governor succeeded by another. The system does not usually lend itself to the creation of claims on positions at certain points. But Don Fidel will attempt this in Nayarit, based on the excellent government of Emilio Gonzalez, who has even been mentioned as the possible successor to Velazquez himself in the secretariat general of the CTM. In this connection, the "old fox" spoke very favorably to President de la Madrid yesterday in Queretaro about Senator Rigoberto Ochoa Zaragoza, from Nayarit, as a prospect for succeeding Gonzalez.

Possible Successors Named

Mexico City EXCELSIOR in Spanish 30 Aug 85 pp 23-A, 30-A

[Article by Humberto Aranda]

[Text] Mute but fierce, the struggle concerning the successor to Fidel Velazquez is beginning in the CTM, now that the convocation of the 11th regular general congress has been announced. The veteran leader will be reelected as secretary general for the 1986-1992 term at that congress next February.

The thought is present in the minds of all of the high-level leaders of the CTM that Don Fidel will begin in his new 6-year term at the age of 86, and that at that age, 6 years is a long time.

Providentially, at the 1980 regular general congress of the CTM, Velasquez sponsored an amendment to the bylaws to create the post of alternate secretary general, which fell to Blas Chumacero Sanchez of Puebla, who is now 81.

There is, then the conviction that the man who will be elected alternate secretary general in February of next year will be the virtual heir to the trade union empire, according to a survey made yesterday among those close to Fidel Velazquez.

Following the national CTM meeting held in Queretaro this week, the members of a select group of leaders have their eyes fixed on that post, while at the same time many are seeking inclusion in the national executive committee.

In the survey made yesterday, the possibility that Blas Chumacero, formerly a federal deputy for Puebla, will again hold this key post was excluded, and the names of seven leaders were mentioned as those most likely to win nomination as alternate secretary general.

They are Emilio M. Gonzalez, governor of Nayarit, about 70; Alfonso G. Calderon, former governor of Sinaloa and former secretary of fisheries, also about 70; Joaquin Gamboa Pascoe, secretary general of the FTDF, 65; and Leonardo Rodriguez Alcaine, leader of the Sole Trade Union of Electrical Workers of the Mexican Republic, about the same age.

The group is completed by Gilberto Munoz Mosqueda, secretary general of the Petrochemical Workers Union, who is not yet 50; Salvador Barragan Camacho, former secretary general of the Oil Workers Union, in his early 50s; and Jose Sosa Martinez, the present secretary general of the Oil Workers Union, who is over 60.

Opposition to Calderon

It is reported that Alfonso G. Calderon, who is again serving as adjunct secretary general following the elimination of the Undersecretariat of Fisheries, which he headed, has aroused the concern of some CTM leaders because of his constant association with Fidel Velazquez, who has entrusted him with various important political tasks.

Those who see Calderon as a danger met after 5 September, when the Labor Congress hosted a breakfast for President De la Madrid, to block the path of this native of Sinaloa.

Apparently, the great question as to who will serve as alternate secretary general will be taken up 2 months prior to the general congress in February by a group of secretaries general of national industrial federations and trade unions, to which the convocation for the congress refers. At this meeting, the executive committee which will serve with Velazquez between 1986 and 1992 will be established.

A number of the leaders consulted, however, said they had received reports to the effect that Fidel Velazquez is planning some surprises, in terms of amendments to the bylaws of the union. A commission has already been appointed to do this work.

According to these reports, the reforms will provide that the alternate secretary general will take over in the event that the group is without a head, but as a member of a collective governing body.

On the instructions of Fidel Velazquez, the members of the new executive committee will have to devote full time to their posts, since at present a number of positions are held by leaders of powerful trade unions who neglect them. Leonardo Rodriguez Alcaine, organization secretary, who has an assistant serving in his place, is an example.

Deputies' Disenchantment With Chumacero

Mexico City EXCELSIOR in Spanish 2 Sep 85 pp 4-A, 28-A

[From "Political Fronts" column, by Humberto Aranda]

[Text] The 52 CTM deputies in the 53rd Legislature flatly reject the leadership, which is not leadership but dictatorship, of Blas Chumacero of Puebla, who by decision of Don Fidel, was entrusted with the coordination of this parliamentary faction.

"He denies us our dignity and treats us like infants. He has even gone so far as to assign us the sequence of seats we must occupy in the parliamentary area," one group of deputies said.

A last-minute maneuver on the part of 10 CTM deputies for the Federal District will remove them from the direct control of Don Blas, since they have obtained from Fidel Velazquez the appointment of the experienced Juan Moises Calleja as their special coordinator. He will have to reach agreement with Don Blas, whose days as workers action secretary of the National Executive Committee of the PRI [Institutional Revolutionary Party] are certainly numbered.

Possibility of Early Changes

Mexico City EXCELSIOR in Spanish 9 Sep 85 pp 4-A, 28-A

[From "Political Fronts" column, by Humberto Aranda]

[Text] This week, it is expected that the convocation for the national council meeting which the PRI has planned for the 30th of this month will be issued.

Officially there has been no definition on the changes to be made in the National Executive Committee of the PRI. The only thing known for certain is that Adolfo Lugo Verduzco, who has already begun drafting the document, will

present a report at the meeting, while Irma Cue, the secretary general, will present another.

There will also be the usual speeches by the representatives of the peasant', workers' and popular sectors.

If this has not occurred previously, it is expected that the replacement of the former governor of Sinaloa, Alfonso G. Calderon, in the Workers Action Secretariat of the PRI, by Deputy Blas Chumacero Sanchez, will be made official. This is a change about which there has been discussion within the CTM for some weeks now.

Those who do not deny that changes will be made in the PRI leadership note that they should occur between September and October, in order to allow time for the new leaders to make the preparations for the series of nominations of gubernatorial candidates covering 15 states to be made between December of this year and December of 1986.

PRI Candidates for Jalisco

The candidates for the posts of president, vice president and alderman for the municipalities of Guadalajara and Zapopan were nominated yesterday in a ceremony held for the purpose by the PRI in Jalisco.

For Perla Tapatia, the PRI slate includes Eugenio Ruiz Orozco, former secretary general of the government, as candidate for mayor; businessman Javier Arroyo Chavez, for vice president; and Alfredo Chavez Martinez, Nicolas Gonzalez Garcia, Salvador Orozco Loreto, Leon de la Torre, Maria Dolores Guzman, Filemon Pena Guzman, Luis Albino Reyes Robles, Jose Ascension Casillas Limon and Jose Socorro Velazquez for aldermen.

The slate in Zapopan includes Juan Jose Banuelos Guardado for mayor and Jose Rodriguez Chavez for vice president. Candidates for aldermen include Antonio Venegas, Raul Juarez Valencia, Gregorio Lizama, Agapito Ramos, Salvador Arellano Guzman, Carlos Arias Hernandez, Raul Torres Arredondo, J. Luis Mata Bracamontes and Roberto Rigoberto Arias Lozano.

Melquiades Preciado Partida is the candidate for Tonalá, and Arturo F. Lozano is the candidate for San Pedro Tlaquepaque.

The candidates for the local deputies' posts in the 20 districts are Juan Alcala, Ramiro Plascencia Loza, Salvador Pena Rivas, Antonio Abreu Espinosa, Carlos Sepulveda Valle, Hugo Rene Esparza, Rigoberto Gonzalez Quezada, Ramiro Hernandez, Salvador Rizo Ayala, Carlos Rivera Aceves, Ricardo Dominguez, Jorge Lepe, Jorge Quinonez Ruiz, Guillermo Mata Garduno, Aurelio Mendoza Rivas, Rocio Corona Nakamura, Francisco Rodriguez Gomez, Alfredo Barba Hernandez, Alejandro Magana Frago and Jose Mora Luna.

Socialist Party Resurgence

After almost 30 years in the background, the Socialist Party of the Southeast [PPS], a great political force in Yucatan for more than half a century, has

been revived by Governor Victor Cervera Pacheco, who yesterday nominated Federal Deputy Renan Solis Aviles as president.

Much conjecture resulted from this fact, correspondent Evilacio Pereyra reports.

There were those who speculated that the resurgence of the party established by Salvador Alvarado and Felipe Carrillo Puerto is designed to offset the opposition forces in Yucatan, mainly the PAN [National Action Party], but the view that the placement of Solis Aviles in the presidency of the PPS is a means of establishing his precandidacy for the gubernatorial election, less than 2 years away, was also voiced.

The weakening of this party, for which the older henequen-raising peasants and workers in Yucatan feel a nostalgia, is attributed to pressure exerted by Fidel Velazquez on the governors, who have never, however, let it die. The nomination of Solis Aviles occurred yesterday following an analysis of the presidential report, termed "very weak," at the House of the People, the headquarters of the Socialist Party of the Southeast, which has been under the control of the municipal PRI in Merida for 25 years.

Analysis of the Report

Adolfo Lugo Verduzco, Fidel Velazquez and Angel Aceves Saucedo presided at a meeting held at 11 am today in the Fernando Amipa Auditorium of the CTM. The meeting, for the purpose of analyzing the political aspects of the Third Report by Miguel de la Madrid, was organized by the board of officers of the PRI for the Federal District and the Institute for Political, Economic and Social Studies (IEPES) of the CEN [National Executive Committee] of the PRI.

Speakers included Guillermo Cosio Vidaurri, president of the PRI in the capital, and CTM Deputy Juan Moises Calleja.

This meeting was the first of a series which will be held throughout the country for this same purpose, on the initiative of Lugo Verduzco. They are being organized by the IEPES and its branches in the states.

Participants in them will include, among others, Manuel Camacho, Ignacio Pichardo Pagaza, Alejandro Carrillo Castro, Jose Ramirez Gamero, Rigoberto Ochoa Zaragoza, Luis Orci, Francisco Ruiz Massieu, Fernando Zertuche Munoz and Joaquin Contreras Cantu.

National Youth Congress

President Miguel de la Madrid has been invited to inaugurate the First National Congress of Mexican Youth on the 13th of this month, one hour prior to the traditional homage paid to the heroic Chapultepec cadets.

Included in the schedule for International Youth Year sponsored by the UN, this 3-day congress will be attended by more than 3,000 young people from all parts of the country, representing the various ideological, political, cultural, social, workers', peasants' and students' sectors.

Organized by the CREA and assigned the theme "Young People, Reality, Commitment and Prospects," the congress will offer a free rostrum for young people to say "what concerns them" with regard to the problems of youth in this country. In support of this forum, the Third Youth Festival will be held from 13 to 30 September and will include cultural and athletic events and performances for the young people.

Reorganization in Durango

Today Senator Fernando Mendoza Contreras of Sonora is expected to arrive in Durango. He has been commissioned by the tricolor CEN to coordinate the work of reorganizing the command cadres with a view to the 1986 campaign, when members of the state government, local legislature and 38 municipal councils will be elected. The first step, correspondent Jose A. Salazar reports, will be the removal of the members of the state board of officers, headed by Eduardo Campos Rodriguez. This board has suffered successive defeats in the state capital at the hands of the PAN. First it lost the mayor's post and then its federal deputies' seats.

Eduardo Leon de la Pena, Agustin Ruiz Soto, Ruben Vargas Quinones and Jose Miguel Castro Carrillo, all with long party careers, are mentioned as possible replacements for Campos Rodriguez.

This week will be devoted to sounding out views, while the meetings to effect the changes will begin next week.

Gloomy Predictions Were Wrong

Eleven governors attended the session at which the Fifth Report of Zacatecas Governor Jose Guadalupe Cervantes Corona was delivered yesterday. He stated, in the presence of Manuel Bartlett, government secretary and the representative of Miguel de la Madrid, that the group offered "a persistent and constructive response to the crisis, such that the catastrophic predictions failed to paralyze us."

The leading official of the state of Zacatecas pledged to "redouble the efforts and to intensify our work of municipal reinforcement, to reactivate community work, to continue developing the rural sector, to promote industrialization and to extend educational, housing, health and recreational services" in the last year of his term. "The truth is that much remains for us to do, but we will do it, and we will do it well," he stressed.

Those present to hear his report included Alberto Alvarado Aramburu from Baja California Sur, Tulio Hernandez from Tlaxcala, Pedro Vasquez Colmenares from Oaxaca, Jorge Trevino from Nuevo Leon, Armando del Castillo Franco from Durango, Antonio Toledo Corro from Sinaloa, Enrique Alvarez del Castillo from Jalisco, Carlos Jonguitud Barrios from San Luis Potosi, Rodolfo Landeros from Aguascalientes, and Jose de las Fuentes from Coahuila.

Fidel Velazquez sent Alfonso G. Calderon, adjunct secretary general of the CTM, to represent him.

Brief Notes

Hector Castaneda Jimenez will take office in Guadalajara today as the new secretary general of the government, replacing Eugenio Ruiz Orozco, nominated by the PRI for the post of mayor of that capital city. Castaneda Jimenez will be replaced in the Undersecretariat General of Government by Enrique Ibarra Pedroza, a young but seasoned politician who served as president of the municipal board of the PRI in Guadalajara. This post will go to Francisco Javier Perez Romero, who has served as secretary general.

The coordinator of the peasant bloc in the Chamber of Deputies, Salvador Robles Quintero, gave assurance that on any proposed law having to do with the rural sector, "the views of the deputies in our sector are consulted first," because this will make it possible to enrich the proposal. Also serving as the coordinator of the federal legislators from Sinaloa, Robles Quintero said that "we will invariably defend the interests of the rural people."

The governor-elect of Colima, Elias Zamora Verduzco, and the general representative of the PRI in that state, Sami David David, met yesterday behind closed doors with the leader of the CEN of the PRI, Adolfo Lugo Verduzco, to analyze the status of the succession in the 10 municipalities in Colima. It was agreed to seek out the best men with the most extensive membership support, and to prevent opportunists from getting in.

Here in the Federal District, Chiapas Governor Absalon Castellanos Dominguez commented to those close to him that he will remove all press employees, from the greatest to the smallest, because he is dissatisfied with [line or lines missing from text of original here].

Aceves and the GATT

Senator Angel Aceves Saucedo, president of the IEPES of the PRI, will give a lecture about the proposed entry of Mexico into the GATT on the 23rd of this month at the University of New York, from which he graduated. An advocate of modernizing domestic industry and increasing exports and a critic of the excessive protectionism from which the industrialists have benefitted, Aceves Saucedo favors membership in the GATT, but on a "gradualist" basis, opening not all the doors, but one window. And he maintains that GATT membership is like a pistol or a pen--everything depends on who uses it and how. Of course, Senator Aceves will be in New York when Miguel de la Madrid speaks to the UN.

Governor Agustin Acosta Lagunes of Veracruz presided at a ceremony held here in the French Pantheon yesterday to commemorate the 25th anniversary of the death of General Adalberto Tejada, former governor of this state and sponsor of the Agrarian Communities League. Pastor Murguia, a deputy and leader of the coffee growers, spoke, and those present included Senator Manuel Ramos Gurrion and Deputy Juan Maldonado. However, CNC [National Peasant Confederation] leader Mario Hernandez Posadas, also of Veracruz, was absent.

Cancun correspondent Arturo Vazquez reports that a very bad impression was made by the action of the police authorities in that tourist center, and those of Joel Artega Ponte in particular. He was the individual who ordered the 5-

hour detention of Eliseo Ortiz, representative of the SEDUE, for presumed offenses against the authorities during a traffic argument. Unfortunately, this is not the first time such a case has occurred, given the passive attitude of Victor Terrazas, the court prosecutor in Quintana Roo.

Rock Festival

With a rock music festival featuring 18 music groups from various states, the PSUM [Unified Socialist Party of Mexico] relaunched its struggle in the city of San Luis Potosi yesterday against the vigilance procedures, demanding the elimination of the state Public Safety Office, which, it charges, is unconstitutional, arbitrary and repressive. Carlos Lopez Torres, a state PSUM leader, urged young people and fathers of families to demonstrate against the repressive police force.

In the midst of a festive setting, the PRI carried out the internal selection of candidates for mayoral posts yesterday, by direct and secret balloting, in the mountain zone of Tabasco. In Teapa, Juan Vicente Cano Cano, Jose Francisco Garcia Nieto and Aristides Prats Salazar, whose virtues were extolled by his brother Jose, were named as precandidates. In Emiliano Zapata, the contenders were Jose Bernat, Ovidio Pavon Jasso and Heberto Ramos Cabrera.

Only two of the PRI candidates for local deputies' seats in Jalisco were nominated for the post of coordinator of the new Chamber of Deputies premises. They were Carlos Aceves and Francisco Rodriguez Gomez.

In Tlaxcala, correspondent Francisco Flores Munoz reports, the registration of PRI precandidates for the 44 municipalities in the sector was completed. In the majority of cases, the selection will be effected by plebiscites, while others will draft unity plans.

Three Deputies Challenged

Nothing too serious will come of the case of the three deputies, Hesiquio Aguilar and Romeo Flores Caballero of the PRI and Martin Tavera Uriostegui of the PPS, whose disqualification was demanded by factions of the PMT [Mexican Workers Party], PAN and PSUM because they traveled to Ottawa, Canada, to attend the 75th Conference of the World Interparliamentary Union. Not only have the parties mentioned now withdrawn their proposal, but also the Foreign Relations Committee will demonstrate at the First Session this week that the legislators did make the trip. Apparently, the opposition parties attempted to make use of the case to negotiate the equitable distribution of the 50 positions the Chamber of Deputies has in the Interparliamentary Union.

Recognition has finally been accorded the political and organizational work done for 7 years by engineer Carlos Alberto Zayas, secretary of the professional workers' and technicians' sector in the CNOP [National Confederation of Popular Organizations] in Jalisco, with his inclusion on the slate of Guadalajara municipal aldermen. Thus about 80 municipal organizations in the branch have been made into active PRI sponsors in that state.

The correspondent in Acapulco, Enrique Diaz Clavel, reports that by the end of this year, there will be municipal buildings for the tricolor party in 50 of the 75 municipalities in Guerrero, and that the balance will be ready next year, consistent with the promise made by Governor Alejandro Cervantes Delgado to Irma Cue, secretary general of the CEN of the PRI.

The enemy to defeat in the next municipal elections in the city of San Luis Potosi is the PAN-Civic Front coalition, Julio Hernandez, political organization secretary of the tricolor party in this capital city, told correspondent Margarita Bazanez yesterday. In that state, preparations are under way for elections affecting 56 municipal councils.

[For related item, see JPRS LATIN AMERICA REPORT of 3 Jul 85 (JPRS-LAM-85-057), p 103]

5157

CSO: 3248/1

MEXICO

BRIEFS

DEBT RENEGOTIATION CALLED 'INEVITABLE'--Mexico City, 20 Oct (NOTIMEX)--The renegotiation of the Mexican foreign debt is inevitable because, realistically, the country is incapable of paying interest or capital, the president of the Association of Chambers of Industry, Silvestre Fernandez Barajas, has said. He added that Mexico cannot disregard, or shirk from, the financing of its development because to do so would expose Mexico to the grave danger of stagnating, which would unleash problems of a social nature. Fernandez Barajas described as favorable the intention of the secretary of finance to reduce taxes on the working class but stressed the fact that the same must be done for industry because its development must not be hampered. It is precisely now, he said, that industry needs tax relief to guarantee its existence. The leader of Mexico's 300,000 industrialists stressed the fact that even the worst problems can be solved if different approaches are tried. For example, he said, the lack of credits can be solved if industry is given the opportunity to consider parallel financing possibilities so industrialists can finance the development of their industries. /Text/ /Mexico City NOTIMEX in Spanish
2008 GMT 20 Oct 85/

CANACINTRA FIGURE OPPOSES GATT--Culiacan, Mexico, 21 Oct (NOTIMEX)--Mexico is not prepared industrially for membership in GATT, it was stated by the National Association of the Manufacturing Industry, Canacindra, Culiacan delegation, of the capital of the northern state of Sinaloa. The president of the Industrial Delegation in this city, Jorge Escobar Diaz, said Mexican participation should be gradual and include only products in which we are self-sufficient. We know and recognize that there are developed Mexican industries that can compete on the international level with the most advanced in the world, but most are not in this situation and would be replaced, concluded the industrial leader. /Excerpts/ /Mexico City NOTIMEX in Spanish 1611 GMT 21 Oct 85/

PUBLIC SAFETY AGREEMENT WITH FRANCE--Merida, Mexico, 26 Oct (NOTIMEX)--France and Mexico have signed a bilateral agreement for the exchange of experiences on public safety which will contribute to the improvement of the two countries' police forces, Francis Guaditto, technical assistance adviser of the Paris police force, has announced. He indicated that his country could provide technical assistance and equipment to Mexico's police forces. He added that even though he is not acquainted with Mexico's police force structure, he believes it has good personnel and a magnificent organization. If the two countries work together, he added, they will have a lot to do and learn about

each other. Ignacio Morales Lechuga, national coordinator of Mexico's public safety programs, said the agreement had been signed with France because of that country's respect for human rights and professional zealousness in the performance of police tasks. He noted that an effort will be made to improve the training in the police force so that it will become a technical organization. To that end, he added, tortures and other practices which unfortunately still prevail will be eliminated. /Text/ /Mexico City NOTIMEX in Spanish 1800 GMT 28 Oct 85/

/12228

CSO: 3248/34

NICARAGUA

CHAMORRO CLAIMS SANDINISTS LOSING WAR, SUPPORT

PA231304 San Jose LA NACION (NICARAGUA HOY supplement) in Spanish 12 Oct 85
p 2-C

[Editorial by Pedro J. Chamorro B.]

[Text] The warmongering attitude of the FSLN, which is inexplicable to some, can be explained by the totalitarian nature of that party and by the total loss of the people's support.

Despite the serious economic crisis faced by the dictatorial government of Managua, it does not view an electoral process as the solution that could give it the legitimacy it needs to govern, because it is aware that in an election in which power is at stake, it would surely lose.

That is why it sees, with desperation, that the only way out is to win the war; that is, extermination. However, even in this field, and in spite of the fact that it is investing 52 percent of the scarce resources of the state in the war effort, the FSLN has been incapable of militarily defeating the democratic insurgents, who do not have even remotely the amount of support that the FSLN receives from its allies.

The military standoff is in itself a disastrous defeat for the military dictatorship, which has placed all its cards in the mouth of its rifles and on the rotors of its Soviet helicopters.

Disastrous because, aside from the fact that the military is bogged down, there are two other phenomena: the loss of support from its own followers, who see their comrades die daily in the mountains, and the loss of the support of the people, who can no longer endure the economic cost of the civil war.

Therefore, pressure to negotiate is beginning to be exerted within the highest levels of the government, which sees how power is eroded daily by a double-edged sword: war. However, this realistic and pragmatic sector cannot risk having the more dogmatic groups revolt as they did in the case of Grenada, and stage an internal coup supported by their radical bases.

They cannot do it for two reasons: because they are still suffering from the "Grenada syndrome," similar to the U.S. "Vietnam" syndrome, and because, as

they do not have complete control of the party's entire military and political apparatus, there is too much danger that another leader might "cut loose" and accuse them of "treason" or "giving in to imperialism."

That is why war and the apocalyptic offensives that seek total extermination have been chosen, as if they were dealing with a cotton blight, as the only solution for the Sandinists. The critical thing for them is that they are losing the war, and at this point, they must be sensing that if events do not take a radical turn, they are inexorably condemned to lose power.

That is worse than a death sentence, because for them power is the reason for living. The ideologies which they at times claim to profess, but at which they are not masters, or even amateurs, are only a smokescreen for holding on to power, which is an end in itself.

The Sandinists are faced with a dilemma: If they continue the war, sooner or later they will lose power, and if they negotiate to stay in power, they will lose it anyway.

It is all a matter of time, sacrifice and faith; while they were in the mountains if the Sandinists had believed that defeating Somoza was impossible, they would have never done it. They never set a deadline. They simply fought with admirable devotion and perseverance until they reached their goal.

Unfortunately for the Sandinists, that same faith today drives thousands of young fighters to struggle for the liberty of their country in the most adverse circumstances and against the always pessimistic predictions of the unbelievers, who will never change one iota of history.

/9365

CSO: 3248/53

PERU

EDITORIAL SAYS CUBAN FOREIGN MINISTER INSULTED ENTIRE NATION

Lima EL COMERCIO in Spanish 28 Sep 85 p A-2

[Material enclosed in slant lines in dark type in original]

[Text] This week we will do something unusual and deal with a problem which, although it arose in the United Nations, directly affects Peru: the improper behavior of Cuban Foreign Minister Isidoro Malmierca in response to the message that President Alan Garcia presented.

Two Positions

It should be noted that at this time in Latin America there are two divergent positions on the foreign debt problem. One is the "no payment" position advocated by the prematurely aging Cuban dictator Fidel Castro.

From his narrow and unrealistic point of view, he is contending that the nations of the hemisphere with red ink on the books should declare a moratorium and simply refuse to honor the obligations they contracted with the International Monetary Fund (IMF), the private banks, and the developed countries.

This is pure demagoguery, however; contrary to Castro's suggestions, the so-called socialist Cuba is punctual in paying its debt not only to the Soviet Union, the communist power that finances Cuba with daily credit, but also to the creditors of the "Club of Paris." Often this payment is made in the form of contingents of mercenaries, who are fighting today in Angola, for example.

Moreover, even many of the Marxist countries themselves are far from claiming that it is possible to declare a unilateral suspension of payments without grave consequences. Suffice it to note that the People's Republic of China, Hungary, Rumania, Bulgaria and others are part of the IMF structure, and they adhere to the latter's requirements in order to keep their economies afloat.

"Debt or Democracy"

The other position is that which the Peruvian president has espoused. His speech before the world forum was based on the objective contradiction between the punctual payment of the foreign debt and the preservation of the

democratic system. His proposal, consequently, is to pay the debt, but allocating only a certain percentage--in this case 10 percent--of the value of exports. The idea is to head off the total paralyzation of the country.

This stance has already received favorable reviews on the editorial page, although we must second the comment that it may be rather unrealistic to depart from the IMF structure, given that this would mean leaving the World Bank as well.

Nevertheless, it is well to recall that the chief of state said, maintaining the necessary political decorum, that /"we are not adopting sensationalist positions, advocating the suspension of payments while paying one side of the world and paying the other side with strategic sovereignty."/

Insulting

Foreign Minister Malmierca, in his United Nations speech, slyly attacked Dr Garcia and his position in a way that was not at all diplomatic, but actually insulting. Among other things, he said: /"We doubt the word of those who seek their arguments in the arsenal of imperialism; we doubt that those who mimic the Yankee calumny are capable of fulfilling their promises and firmly upholding the banners under which they have appeared before world public opinion."/ He went on to say that /"the history of our Americas is full of fly-by-night, sell-out redeemers like these."/

Leadership and Discretion

Politics is certainly rife with contradictions, and often it is possible to see sudden changes of position. But we believe that Mr Malmierca has behaved improperly, and has not only attacked Dr Garcia personally, but has gone beyond that and affronted Peru's dignity. It is from this perspective that his speech should be viewed. Moreover, such absurd reactions as this should be examined within the context of the struggle for continental leadership that Castro has launched.

Hence our protest, our insistence on showing how Castroism has turned the Cuban nation into a Soviet colony. Therefore, our country should not be interested in making the slightest effort to enhance its diplomatic relations with a government that does not deserve it.

Our position in the political spectrum is well known, and it hardly coincides with that of the American Revolutionary Popular Alliance (APRA). But we call for a responsible international debate and elementary respect not for a politician or the present leader of a country, but for the representative of a sovereign state that cannot be treated like that in front of the entire world. H.G.A.

8926

CSO: 3348/41

PERU

SUPREME COURT REORGANIZES INTERNAL JUDICIAL CONTROL OFFICE

Lima EL COMERCIO in Spanish 28 Sep 85 p A-5

[Text] The Supreme Court yesterday ruled that the General Office of Internal Judicial Control must be reorganized, and named 12 trial courts (the 36th to the 47th) and four correctional courts (the 11th to the 14th) of Lima to expedite the terrorism trials.

These and other measures, which are designed to improve the administration of justice in the country, were adopted as a consequence of the special session of the full court that was held early this week. Justice Minister Luis Gonzales Posada was also present at the session.

New Regulations

"The reorganization of the General Office of Internal Control will be implemented," stated Supreme Court Chief Justice Cesar Barros Conti, "by issuing new regulations and providing sufficient economic resources for achieving its objectives."

As for the prosecution of criminal cases, trial judges and justices of the correctional courts will be involved in an extraordinary nationwide mobilization to determine which defendants are in their jurisdictions and what the status--both legal and procedural--of their cases is.

Terrorism Trials

With regard to the terrorism trials, the trial courts (from the 36th to the 47th) and the correction courts (from the 11th to the 14th) will devote their time exclusively to trying these cases, under the supervision, direction and evaluation of the chief justices of the two criminal divisions of the Supreme Court.

Justice in Heavily-Populated Districts

Another measure is aimed at decentralizing the administration of justice in Lima in order to meet the immediate requirements of justice in the most densely populated sectors of the capital. This will avoid the costly transportation of litigants.

In this regard, the Supreme Court will coordinate with the Justice Ministry to form a task force that will draw up an experimental plan for judicial decentralization through the establishment of two major judicial centers (one in the northern part and another in the southern part of Lima).

These judicial centers will join together under a single structural unit the judicial areas that correspond to justices of the peace, criminal and civil trial judges, and representatives of the Public Ministry and the correctional courts.

Criminal Proceedings

Another result of the joint meeting between the justice minister and the full court was that the National Penitentiary Institute will provide the appropriate facilities for the prosecution of criminal cases, so that the judges can carry out the tasks incumbent upon them and the correctional courts can hold public trials.

This measure means that the defendants will not have to be transported to the local courts, with the inherent risks and expenses involved.

In addition, it was agreed at the meeting that a tri-sectorial commission will be formed, comprising representatives of the Judiciary, the Justice Ministry and the Public Ministry, to study legislation designed to expedite procedures and divert certain matters from the courts.

At the same time, the Judiciary will restructure the General Office of Administration for the specific purpose of ensuring that it will carry out its duties more effectively, preventing red tape wherever possible.

Reorganization of Courts

Simultaneously, the justice courts, juvenile courts and court clerk system will be reorganized on the basis of the relevant proposals made by the Judicial Research Center.

It was also agreed that special judicial visits will be made by Supreme Court justices to all the judicial districts of the republic to evaluate the administration of justice at the national level.

Supplementary Credit

The Justice Ministry, for its part, is taking a variety of measures, including a supplementary credit of 37 billion sols. Part of that loan will be earmarked for the jails, part will be used to underwrite the assignment of 80 attorneys to that ministry, and part will be allocated to all the country's bar associations so that they can provide legal advice to prisoners who are eligible for parole, pardons or release (if they have served their time).

8926

CSO: 3348/41

PERU

IU ECONOMIST ANALYZES APRA ECONOMIC PROGRAM

Lima EL NACIONAL in Spanish 26 Sep 85 pp 9-11

[Interview with Senator Carlos Malpica Silva Santisteban by Jorge Torres Rodrigo; date, time and place not given]

[Text] Senator Carlos Malpica Silva Santisteban, an engineer who is an expert on economic matters for the United Left (IU), is known as the "hardliner" of that front. On more than one occasion he has been sharply critical even of IU President Alfonso Barrantes. Today, in this interview, he takes a look at the economic program of the American Revolutionary Popular Alliance (APRA) government. He skeptically asserts that the results will be seen between now and December. To leave no room for doubt about his meaning, he adds: "We have no way of knowing right now what will happen from then on."

[Question] The APRA government has implemented an emergency economic program. In your opinion, are there positive signs in this effort?

[Answer] The measures the government has adopted are of an urgent nature, and they can undeniably yield results within 2 to 3 months at the most. Naturally, it is very difficult to keep prices stable. Even now it is apparent that although there are stable official prices, in many areas this measure is being ignored. It's not that I disagree with the provisions, but the measures are basically temporary.

[Question] What is your view of this economic policy?

[Answer] I have doubts about the overall concept of this policy. It is not clear to me. President Garcia has said that the agriculture sector is to be given priority, and within that sector, the mountain zone, which has come to be known as the "Andean trapezoid." In other words, he wants to step up agricultural production in this part of the country and to make agriculture a surplus-generating element so that other sectors can develop. According to the government's proposal, by improving agricultural production in this area, the country could become self-sufficient and save foreign exchange, since food would not be imported and essentially indigenous products would be consumed.

[Question] That is clearly a positive step, don't you agree, Senator Malpica?

[Answer] Well, if this is improved, then the income of the peasants will undoubtedly improve; they are one of the poorest sectors in the country. In this way, they will be able to purchase industrial goods and other items, and the demand of these farmers would revitalize industry.

[Question] This means, then, that the policy toward this area would be appropriate.

[Answer] In theory, that is unarguable. But in practice, it is very difficult to increase agricultural production. Massive infusions of money are needed for this, and not just for a year, but for at least 5 years, if not a decade or more. I wonder where these surpluses, these resources, are going to come from to reactivate the mountain economy. Thus, I think there is no real correspondence between the government's theory and its practice.

[Question] Then do you doubt that the announced objectives can be achieved?

[Answer] Our economy has always been tied to the boom and bust cycle of the world economy. With excess profits, taxes were created and highways, bridges, etc. were built. Industrialists were also supposed to earmark part of their profits for industry. This used to be the case with metals, fishmeal, and other sectors. We must also bear in mind that each crisis caused not only economic problems, but also serious social and political problems. In Peru, the latter even brought down governments, as in the case of Augusto B. Leguia, Jose Luis Bustamante y Rivero, and Fernando Belaunde Terry, in 1968.

"Not Just Agriculture"

[Question] And within that context, what is the present outlook?

[Answer] Now the U.S. economy has recovered, but the European and Japanese economies have not, and they are the principal buyers. Due to the changes that have taken place in recent years, however, some raw materials are being replaced by others. In the case of minerals, for example, copper has been replaced in the manufacture of electrical wiring. In these situations, we must make a worldwide effort to seek other means to reactivate the economy. Unfortunately, the APRA government has not clearly stated what these means are. Personally, I do not believe that agriculture alone can sustain the drive to achieve these recovery goals.

[Question] Could you give us some examples of this situation?

[Answer] Three to four bills for supplementary credit to modify the current General Budget of the Republic have gone through the Bicameral Budget Committee. Very little of this credit will be earmarked for agriculture in the "Andean trapezoid," or for agriculture in general, I believe. The total is just 11 billion sols for Cusco and Puno, through that supplementary credit.

Another loan for 109 billion sols has also been approved for the improvement of neighborhoods, through the Temporary Employment Program that Popular Cooperation will run. It is contradictory, then, not to give the agriculture sector the importance in practice that is preached in theory and in rhetoric.

[Question] What comments do you have about the 1986 General Budget of the Republic? Does it seem all right to you, or do you think it contains errors?

[Answer] The budget has not yet undergone the restructuring that President Garcia Perez promised to do immediately. The 1986 budget has the same structure as the 1985 budget, especially with regard to income. Taxes lean more toward the indirect, those which are paid by the poor, consumers. In particular, the gasoline tax accounts for one-third of the budget's financing. Direct taxes, which are paid by producers, the rich, represent a shrinking percentage, as happened last year.

"We Need Direct Taxes"

[Question] What do you suggest in view of this situation?

[Answer] This position has been stated repeatedly by the United Left. We believe that special emphasis should be given to direct taxes, so that the neediest will not bear such a heavy tax burden. Moreover, this situation should be called to everyone's attention, because in 1980 the World Bank published a report on the Peruvian economy and recommended that indirect taxes be reduced and direct taxes be raised. At that time, indirect taxes represented 55 percent of the budget, direct taxes 45 percent. Now the indirect taxes under consideration are 85 percent of the budget, while direct taxes account for only 15 percent. Instead of following the recommendations of the World Bank, this has not been done. The situation is growing worse for the poorest, who must carry the onerous burden of these taxes.

[Question] In your opinion, Senator Malpica, what is the reason for this situation, which the government appears anxious not to change?

[Answer] The fact that until now the government has not decided to change the tax structure; if such a change does take place, it will affect the rich much more than the poor. We hope that this change will be forthcoming, as Minister Alva Castro himself has said many times.

[Question] And what is your view of the spending structure designed by the government?

[Answer] There is one innovation: the reduction in the payment of financial services on the foreign debt to the equivalent of 10 percent of total annual exports. But aside from that modification, the rest is the same. For example, military and police spending still accounts for something over 30 percent. It has been said that fewer Mirage jets will be bought, but so far nothing specific has been stated. So this is nothing more than posturing.

Practice What They Preach

[Question] What is the United Left demanding in this case?

[Answer] We demand that the leaders of the government practice what they preach. In other words, they should change everything that has been done,

restructure spending, give priority to agriculture, call for a restructuring and modification of the tax structure, etc. Agriculture has been allotted only 2.92 percent of the budget.

[Question] How should the country's problems be dealt with at this point?

[Answer] According to the assessment that both President Garcia and Minister Alva Castro have made of the situation, the country's ills are due to imperialism. But neither Alva Castro's speech in Congress nor the president's address at the United Nations took a clear position on foreign investment. There has been no change in this regard. As far as we know, in the petroleum sector they want to repeal the Kuczynski Act to give contractors a new kind of contract called "cost recovery," which is precisely what the foreign companies have been trying to get for 2 years. We are going to that. There will be no revolutionary policy this way. Moreover, the oil companies have been informed that they owe the state \$600 million, yet it is said that we will keep negotiating with them. They have taken \$600 million and no one is saying they got that monny illegally. Now they come claiming they are going to invest in the country with these same ill-gotten gains. Perhaps these events have happened with the complicity of certain officials, and to a certain extent they may accept the Kuczynski Act, which was not applied to oil development in this country. It appears that some kind of complicity is going on here, and we will see what happens. It seems that not everyone in the government agrees with this state of affairs.

Danger of "Damming Up"

[Question] Senator, despite the observations you have made regarding the management of economic policy, some measures have been adopted that appear to have public support. There is talk that they will curb inflation. Consider the exchange controls and the lowering of interest rates, for example.

[Answer] These are also emergency, short-term measures. The lowering of interest rates is evidently a good move, because it brings down financial costs and helps cut inflation. This helps curb inflation. It will even stimulate activities such as the building construction industry. It used to be difficult to build because interest rates were as high as 200 percent. Now things will be easier, for example, due to the cost of money.

[Question] Some specialists have mentioned the possibility of a "damming up" once the freeze is over. Do you agree with that assertion?

[Answer] Yes, there is the danger of damming up. Bascially, all the measures are recessive. For example, businesses complain that there are no sales . . .

[Question] But how can it be said that these measures are recessive if they are benefiting the population and encouraging the construction industry, as you say?

[Answer] They are indeed recessive measures, because the price controls, for example, mean that companies are earning very little and will continue to earn even less in relation to the consumer's buying power. As prices keep sliding,

production will inevitably decline or grind to a halt, with the consequent recession. It should be noted, however, that the consumers come out ahead in this case.

"Nothing Has Changed"

[Question] Have any significant changes taken place in the economic policy?

[Answer] No, because--by way of example--the law passed by the Popular Action government to set the price of gasoline at the equivalent of \$1.25 has also been enforced. This is something that could be repealed and could be enforced without problems, but it was simply not done. It is clearly an inflationary measure. They also devalued the dollar by 12 percent with respect to the sol, and the financial dollar was devalued by nearly 30 percent. These measures are both inflationary because of their influence on the financial market, since industry depends on the importation of inputs. A clear example is pharmaceutical products. Meanwhile, remunerations rose by 15 percent; 22 percent in the case of teachers, and 150,000 sols for civil servants and non-unionized workers. All these percentages are lower than that of the gasoline price hike, which came before them.

[Question] President Garcia stated at the United Nations that Peru will sever its ties with the International Monetary Fund if the world monetary system is not reformed drastically and if the distribution of liquidity is not modified at the next meeting in Seoul. I imagine that you will not disagree with that.

[Answer] We are certain right now that these changes will not take place at the Seoul meeting. Consequently, we must prepare now to leave the IMF. It should be recalled that the five most developed powers have already expressed their support for the International Monetary Fund. This rules out the possibility of any modification such as the ones recently proposed by President Garcia. . . .

"We Will See If He Follows Through"

[Question] Are you saying that President Garcia's proposal was unrealistic?

[Answer] Well, if he says he wants to leave the IMF, then he should follow through. One must be consistent in both deed and word

[Question] And what will happen to the country if it leaves the IMF?

[Answer] If President Garcia no longer wants to deal with the International Monetary Fund, he may withdraw from that organization. It should be recalled that if a country does not reach satisfactory agreements with the International Monetary Fund, it begins to be blacklisted economically. If President Garcia is willing to run that risk, I hope he is also willing to fulfill his promise. We of the United Left do support him in that regard, because we feel that the International Monetary Fund was created by the big powers to defend their economic interests.

[Question] Is there any truth to the rumor, Senator, that the new board of directors of the Central Reserve Bank of Peru (BCR), aside from the delegates from the Executive Branch and the Senate, will include among the latter an expert representing the IU as a delegate of the parliamentary opposition? Javier Iguiniz' name has even been mentioned . . .

[Answer] If a law such as the one being considered in the Constitutional Committee is actually passed, to permit the IU to name a delegate, than it clearly could propose it. But no matter how radical the representative of the opposition is, the board of directors will not change its actions. One member will not decide anything at any time. This will at least give us some information about the decisions that may be made, but the parliamentary opposition will not have any major power or decisive vote on the BCR board of directors.

[Question] But you do feel it is possible that Iguiniz may serve on the BCR board of directors?

[Answer] I do not know that for certain. Nor do I know whether Iguiniz has enough backing for that, if the law is passed.

[Question] Do you know, Senator, of any efforts Minister Alva Castro has made or meetings he has held in the United States regarding the payment of our debt, on the occasion of President Garcia's visit to New York?

[Answer] Yes, I know that he has made some contacts and has reaffirmed Peru's position on limiting the debt payment to 10 percent of total annual exports. This proposal refers particularly to the World Bank, as well as international organizations and the government-to-government agreements. But there is close coordination between the World Bank and the creditor nations. Thus, when a country has problems with the United States, other countries blacklist it from receiving loans. I fear that this may happen. There is a specific case with regard to petroleum. The World Bank had agreed to loan \$80 million for Zapotal Lake in Piura. Naviera Perez Companac of Argentina was going to manage the project, and it was to be supervised by a financial institution. Both were to receive \$5 million per year. A year has gone by, and only \$5 million has been disbursed to those firms. This was simply due to the fact that the Belaunde government failed to pay the commercial banks.

Alan and Fidel

[Question] Returning to the president's speech at the United Nations, do you believe, Senator, that there is a kind of confrontation or dispute between President Garcia and President Fidel Castro as a result of the two leaders' approaches to the foreign debt?

[Answer] This stems from the Haya ambivalence toward imperialism, or to that other Haya principle, "neither Washington nor Moscow." Other leaders such as Peron in Argentina and Nasser in Egypt have tried to adhere to these principles, but without success. This approach has not proven to be viable so far. It appears that President Garcia wants to be a new leader of this

school. He wants to be independent, so he attacks American imperialism and Fidel Castro too . . .

[Question] But you will not deny, Senator, that while Cuba is advising Latin America not to pay its debt, that country does meet its obligations to the socialist countries punctually . . .

[Answer] That is not entirely clear to me. But what I do know is that President Fidel Castro has said that because the Third World debt is unpayable, it should not be paid, neither to the capitalist nations nor to the socialist nations.

8926

CSO: 3348/4i

PERU

ECONOMISTS RESPOND TO QUESTIONS ON DEBT, POLICY, PRODUCTIVITY

Lima DEBATE in Spanish Sep 85 pp 38-48

[Passages enclosed in slantlines printed in boldface]

[Text] 1. Do you believe the Peruvian Government's proposal to limit the foreign debt service payments to 10 percent of its export earnings is appropriate and feasible?

2. Do you think that if the foreign debt is renegotiated on those terms, the current price of the dollar on the MUC [expansion unknown] is sufficient to guarantee an external balance?

3. Do you believe that the program is sufficient to cut inflation effectively? If not, what measures are needed?

4. What groups have benefited from the measures adopted so far, and what groups have been harmed?

5. What measures are needed to ensure increases in productive efficiency, domestic savings, effective employment-generating investment, exports, and national income?

How the Measures Measure Up

A few days after the new economic program was revealed, DEBATE invited a group of noted economists to answer five questions and to present a documented analysis of the measures and their social repercussions. The initial list of economists also included Drago Kisic, Pedro Pablo Kuczynski, Carlos Malpica, Ivan Rivera, and Manuel Ulloa. Due to reasons beyond their control, however, they were unable to send their answers to us before press time.

Roberto Abusada: "Productive Apparatus Must Be Turned Around"

1. I think that the Peruvian proposal on the foreign debt should be evaluated for its political content first of all. It is in fact the decision of a poor and indebted country facing its virtual inability /at present/ to service the foreign debt. The 10 percent of exports covers the servicing of the debt to multilateral organizations, excluding the International Monetary Fund (IMF),

and therefore it implies not paying the debt to the commercial banks unless some spectacular development takes place in the export sector.

What this boils down to is a proposal to the international banking community that entails the suspension of payments for an indefinite period.

On the other side are the rather closed-minded banks, which are not very receptive to a proposal such as Peru's. More than the payment of the debt, the bankers really want an agreement in which their accounting books would not reflect the failure of the credit policy they pursued in the decade that ended with Mexico's financial collapse in 1982. I think, therefore, that between the two positions, given that Peru has solid moral grounds, there is plenty of room for Peru to obtain a long-term agreement that would enable the country to emerge from the absurd situation of a constant net negative flow of capital in its balance of payments.

But we should also reflect on some specific aspects of the external outlook for Peru over the next 10 years, particularly the arithmetic of our debt problem. Peru's total debt amounted to the equivalent of US \$13.3 billion as of December 1984 (only a small portion of which was attributable to the private sector); by the end of this year, it will have risen above US \$16.75 billion after the proposed payment of the equivalent of 10 percent of export earnings is made. Now, even assuming a 10 percent annual growth rate in our exports, the Peruvian proposal would increase the accumulated debt by approximately US \$15 billion by the end of 1990 (based on an average interest rate of 7.5 percent a year, a payment of 10 percent of the rising volume of exports, and zero fresh money).

Thus, with a debt hovering around US \$28 billion by the end of 1990, each Peruvian (assuming a population growth rate equal to the present one) would end up owing \$1,230, compared to the present per capita debt of \$665. In short, even if exports and the GDP rise significantly, we will be /avoiding/ the problem of the debt.

2. The current exchange rate is certainly adequate if we assume that Peru's debt payment proposal is accepted. What is not clear is whether the level will be sufficient to orient the productive apparatus toward exports (the only way to reactivate the economy without clashing with foreign exchange restrictions). Even less clear is whether the exchange rate would be able to resist the pressure of an enthusiastic expansion of credit aimed at boosting production quickly.

3. Inflation is deeply rooted in Peru. We cannot expect anything else, after enduring more than a decade of budget deficits averaging 7.8 percent of the GDP. At the same time, the state has systematically expropriated savings and destroyed confidence in the national currency. These are the things that "make" inflation. The rate of inflation will certainly fall after September, probably to a monthly rate of 2.5 percent (34 percent a year), which would yield an annual inflation rate of about 160 percent for 1985. But inflation cannot be "undone" if the aforementioned causes are not eliminated. The current budget program is praiseworthy; it remains to be seen whether monetary

expansion can be kept under control. If this does not happen, the fall in inflation will be only fleeting.

4. The measures adopted favor the wage-earner who is currently employed in the modern sector, and the mountain peasant to the extent that the increase in the prices of rural products (including imported foods with which they compete: grains, milk and fats) is maintained relative to that of industrial prices. Large, indebted companies also benefit in the short run. Small industrialists, who generally use more labor-intensive techniques, are damaged (higher minimum wage), as are the unemployed (bad prospects for an increase in employment because of the job security reforms, which cover only one in five workers).

5. The government has begun by stabilizing the economy in accounting terms, and it would be wrong to think that the measures adopted aim any higher than that. Steady growth requires that the productive apparatus be turned around, sending out clear signals to orient resources toward export activities or the replacement of exports with a smaller imported component (national raw materials that could be exported /are/ in essence "imported components"); a larger manpower component, and a plant large enough to achieve the necessary efficiency levels to penetrate foreign markets. Growth can only be sustained if it is based on financial development, backed by higher savings (the state can give only more nominal credit, not more real credit). Therefore, we must regain confidence in the currency by preventing the monetization of budget deficits, putting a premium on savings, and penalizing the poor utilization of those savings with real interest rates.

Carlos Amat y Leon: "The Great Monopolistic Agent of the System Is the Public Sector"

1. I feel that this proposal is necessary so that the country can be a viable nation. It is a fact that we cannot pay according to the current schedule of disbursements; and the whole world knows it. The proposal to pay only 10 percent of export earnings implies a recognition of the debt incurred and a willingness to pay. The fundamental questions, however, are the following:

a) How will we obtain the domestic savings necessary to finance the growth of the GDP, boost exports and generate the surplus foreign exchange we need to meet the new schedule for refinancing the entire debt?

b) These savings will have to be generated by means of a drastic reduction in consumption by the upper 20 percent of the income pyramid; but primarily, the increased investment will have to be carried out as a result of the efficient design and execution of the programs. What we mean is that for every sol (Inti) that is saved, more money will have to be invested and more production will have to be generated. Consequently, the relevant question is: What is the new investment portfolio, and how must these investments be managed to guarantee this greater efficiency?

A medium-term program that is well structured and proves to be quantitatively and politically feasible will be the best bargaining chip to persuade the

bankers that it would benefit them to sacrifice present liquidity in exchange for the guarantee of future payment of the Peruvian debt.

2. The exchange rate as a price on the foreign exchange market can be maintained if the supply of foreign currency is kept in balance with the demand.

In our economy, and particularly under the present circumstances, the balance must be attained by manipulating demand and, in the medium term, supply. The demand for imports has reached a level similar to that of 1972, in real terms. In other words, a greater devaluation cannot reduce imports significantly. The problem lies in the demand for dollars on the capital market, which has to be controlled to prevent the flight of more dollars.

In any case, the renegotiation of the debt on terms favorable to the Peruvian proposal would prevent speculative behavior and would boost confidence in the future stability of the system.

3. The great monopolistic agent of the system is the public sector. Moreover, this sector accounts for no less than 40 percent of the GDP, and it indirectly affects approximately two-thirds of the country's economic activity, through spending and taxation multipliers. Consequently, if the central government's and public enterprises' deficits are not reduced, inflation cannot be brought under control for any length of time, and the major effort launched by the government during its first month will come to naught.

It is obvious that the group of oligopolistic companies in the private sector must also be controlled. Inflation will be controlled structurally, however, when production achieves the levels required by the demand for goods and services. Now, increasing production within the limits of the availability of foreign resources means that we must be very selective in the use of foreign exchange, in the technologies we choose, and in the definition of the goods and services produced. This is what planning is all about. It is a matter of devising a management system to govern the firms and the community to ensure that they meet the plan's objectives.

4. The groups that have suffered damage are: holders of foreign currency, people with high-ranking public-sector management positions, drug traffickers and the Peruvian Investigative Police (PIP). The obvious beneficiaries are all the people of Peru, to the extent that inflation is brought under stable and sustained control. But that will have to be seen over the coming months.

5. a) A clear and well-defined model of the country's regionalization, and a precise schedule for the transfer of power from the central government to the regions.

b) The rescheduling of the major investment projects and their organization on the basis of autonomous administration and flexible resource management. These projects must be controlled by programming costs, calling in competent institutions to follow up on execution, and imposing strict quality controls on the final product.

c) A system of public enterprises that has clear and precise rules for the enterprises' managers as well as the Comptroller's Office, the ministers, the bankers, and the consumers of the goods and services supplied by these enterprises.

d) A tax system in which the complicated maze of exemptions is finally rationalized. In addition, the tax collection agency should have a modern and honest administrative apparatus.

e) A budget planning process in which each budget request is examined in terms of its costs and the direct and indirect benefits that will result to the national economy, the regions, and the targeted groups of the population.

f) The strengthening of local governments and the inclusion of the Popular Cooperation and Corporations Programs.

Jose Grana Miro Quesada: "Promote Savings and Investment in the Private Sector"

1. It was logical to take advantage of the change in government to set forth some political goals in negotiating the foreign debt. The stated goal may be appropriate from the domestic point of view, considering that this year we will have a surplus in the balance of trade that is more than 10 percent of our export earnings; but from the external standpoint, that 10 percent covers only the interest owed to the international credit institutions that would have priority over banks and countries.

It should also be noted that our greatest limitation now lies not in the balance of trade, but in our fiscal accounts. It is the government that is unable to pay. The public foreign debt grew from \$3.3 billion in 1975 to \$10 billion this year, but the private foreign debt was \$2.8 billion in 1975 and is only \$2.3 billion today. It is the government that must establish its annual payment capacity, which places it in the difficult position of having to cut fiscal spending without reducing investment. The latter would apparently be easier but is necessary to maintain the Peruvian people's standard of living, the country's development capacity, and the possibility of paying the debt in the future.

In the future, any rise in interest rates or fall in the prices of our exports would exert pressure on our investments, retarding our development. To prevent this, we must define the minimum percentage of annual investment that Peru requires to maintain an adequate standard of living for its growing population. This minimum investment should be used as a parameter when the budget is drafted, and should be a prerequisite in the negotiation or renegotiation of the foreign debt.

2. The current price of the dollar could be sufficient if the 10 percent of export earnings that will determine the total paid to service the foreign debt were less than the surplus in the balance of trade.

Our foreign reserves depend not only on exports, but also on the bottom line of the balance of payments. That is why the limit on the foreign debt service perhaps should not be 10 percent of export earnings, but rather the positive difference between exports and imports, as has been suggested in Brazil. If that difference were negative, we could not even pay the 10 percent; and if the prices of our exports improved, we could pay more against the principal and thus diminish the overwhelming problem of the foreign debt.

3. There is no doubt that the program is successfully reducing inflation; the problem now is to maintain that level.

A very significant part of our inflation was due to subjective factors such as the "inflationary expectation," but a portion amounting to less than 40 or 50 points is due to real factors, such as the budget deficit and productivity.

The subjective factors have been brought down very low, taking advantage of the psychological climate surrounding the change in government.

To maintain this success, we must make sure that the price controls and the tax measures are not abused, because that would damage confidence, provoke fears of fictitious hoarding, and even cause shortages of some goods. This would call the entire program into question. But the government is in a position to control the subjective aspect of inflation, because nearly half of national production and prices are controlled by the government: fuels, electricity, the dollar, public transportation, rice, cooking oil, water, iron, etc.

The real factors, such as the budget deficit and productivity, are more difficult to control, but long-term success depends on them. Public spending will have to be cut, but care must be taken not to affect the productive investment that is required to maintain the future standard of living of our growing population.

A growing population cannot stop building schools or hospitals or drinking water systems or hydroelectric plants, nor can it afford to stop opening up new lands for cultivation or new roads for transporting food.

4. We could say that in the short run, the financial sector is hurt, especially small savers who put their faith in the Foreign Currency Certificates. But in the long run, if inflation is brought under control, all Peruvians will benefit.

5. As important as curbing inflation is achieving development, and doing so at a faster pace than the population growth rate.

To achieve development, a great effort at savings and investment will be required. The word savings is used in its broadest sense, including the efficient use of all resources; and investment is used in the narrowest sense of the word, permitting only productive investment.

We must establish strict priorities for investment. We must demand sure profits, job creation, foreign exchange earnings or import substitution

(especially food imports), and above all a rapid return on the investment. In this regard, it has been demonstrated that the most efficient and quickest maturing investments are those of the private sector. For this reason, if we support and encourage that kind of investment, channeling domestic savings toward the private sector, we will have the best tool for achieving development.

In other words, the formula should promote savings and investment in the private sector by generating the confidence needed for productive investment, both national and foreign. For this purpose it will be necessary to establish the appropriate legal framework and stable regulations. And in the public sector, we must reduce the budget deficit by cutting non-productive, bureaucratic spending, excessive foreign exchange expenditures for defense, and the absurdly costly losses incurred by the public enterprises.

Alfredo Romero: "Subsidies Should Be Approved Only by Law"

1. The fact that the current government has formulated a specific proposal is in itself remarkable. The proposal is appropriate if it is regarded as an effort to lay the groundwork for a new, balanced international order, implicitly recognizing that under the present circumstances the foreign debt is unpayable. The proposal's feasibility will depend on how seriously the government acts and on the ability of other Latin American countries as well as the creditor nations to realize that the essence of a proposal such as this one is the viability of Latin America and the democratic system.

2. In arithmetical terms, what Peru is proposing, assuming that the current level of our exports is maintained, is equivalent to rescheduling its foreign debt to a 100-year term with an interest rate of approximately 2 percent, with no additional charges. These terms will improve to the extent that Peru is able to export more, rationalize its imports, and obtain sufficient international credit. The exchange rate advantage of 20 percent that prevailed in early August has been substantially reduced by the effect of the July price hikes and the increases the government decreed in August. Serious promotion of agriculture will require substantial increases in agricultural prices, which would further cut into the exchange rate advantage, if not eliminate it altogether. Then our exports would lose their competitiveness. Given that we cannot cut our imports any further, and will actually have to increase them if the productive apparatus is reactivated, since by nature it requires imported inputs and parts, maintaining an external balance will require a more expensive dollar.

3. We cannot yet speak of an economic program, so it is premature to make a final judgment. A partial series of measures has been adopted with a view to curbing inflation and taking short-term precautions in the external sector, and I think those measures are aimed in the right direction. Specific measures should be adopted to reduce the level of public spending and eliminate the budget deficit, among other things, so that domestic savings can be stimulated and productivity can be stepped up. To prevent the results of these measures from becoming a mere "illusory economic truce," an attempt must be made to correct the structural imbalances: Peru still invests more than it

saves, consumes more than it produces, imports more than it exports, and the government spends more than it takes in.

4. Groups Benefited: The under-capitalized firms, that is the highly-indebted firms, especially those with dollar debts who over-estimated how high their prices would rise; speculators; organized workers; and those who generate coca dollars.

Groups Damaged: The capitalized firms with little or no debt, that is those that were willing to invest risk capital and managed their finances prudently; the agrarian sector; savers, especially those holding CBMEs [expansion unknown]; those who did not over-estimate the increase in prices; non-organized workers.

5. The measures should be geared to achieving effective development in agriculture--a natural mechanism for decentralization, effective job creation and income generation--which requires realistic prices and the adjustment of the land ownership system; a comprehensive, stable, broad-based, efficient and easily applied tax system; a transparent economy beginning with the actions of the government (for example, subsidies should be overt, approved annually and only by law, with the purpose, source, amount and means of implementation clearly specified); the guarantee of job stability only by productivity; a simplified government; and a leading role for Peru in the new international division of labor and production.

Jurgen Schuldt: "We Must Regain Our Deteriorated Bargaining Power"

1. For a limited time, the proposal seems /feasible/ to me, even though the IMF was avoided, as long as landing strips and annexes continue to be found in the jungle. The U.S. Government knows very well that a sudden decline in our informal exports of the derivatives of the divine leaf could represent the equivalent of an annual "servicing" of 25 percent of our exports, which would go a long way toward meeting pending obligations. However, by 1990, that route, even assuming that there is no new indebtedness, would bring our foreign debt to more than US \$20 billion. In view of that fact and the reprisals that would soon be forthcoming from the developed countries, it is imperative that we launch an aggressive campaign to establish a new international economic order, after our deteriorated international bargaining power and position have been recovered. The proposal is also /appropriate,/ both in terms of the country's social and political situation and with regard to the new development strategy. In the last 10 years, this strategy would have been impossible, because our future was considered to be inseparable from our external commitments and our unrestricted subordination to the world market.

2. As of July of this year, the sol was undervalued by 30 percent, which--in addition to the devaluation of 12 percent--gives it sufficient margin to ensure an external balance. In the short term, this will be confirmed by the narrowing of the gap between the official and financial exchange rates. In the medium term, however, adequate planning of imports and of the money supply are in indispensable complement to its stability.

3. The anti-inflation program that has been adopted requires some additional measures, and some of the measures already taken need some corrections. To wit:

--Increase the income of the agriculture and livestock sector, both through higher prices (elimination of the /monopsonic/ power of the middlemen, modification of urban consumption patterns, restriction of food imports) and through lower costs (transportation cooperatives, storage facilities, technical assistance) in order to expand the supply.

--Eliminate the financial market for the dollar, which as soon as any problems arose would encourage speculation again, despite its reduced importance (10 percent of the total), because it could become the ruling criterion for setting prices by economic agents.

--Instead of setting industrial prices from scratch, a detailed analysis should be made of the costs of the 80 leading businesses in the sector in order to bring down their prices if their profit margin is too high.

--Regulate (or, as the case may be, expropriate) all centers of economic power, because of their potential for destabilization in terms of prices, speculation, the restriction of investment, tax evasion or the fraudulent transfer of foreign currency abroad.

--Modify the tax structure by reducing the component of indirect taxes (which are passed on to consumers, either through higher prices or poorer product quality) and increasing the income and property tax components.

4. People who benefit: those who receive the minimum wage and public employees (especially teachers), due to the raise in pay; highly indebted companies, because of the decline in effective financial costs; farmers, not so much through prices as through technical assistance and preferential credit, especially farmers who managed to convert their certificates into bills; and people who live on the puna.

People who suffer: Middlemen and importers; renters; financial corporations; processors; embassy attaches; oil consortia; drug traffickers; and above all, labor-intensive businesses.

5. To the extent that we try to modify the pattern of accumulation, creating an agroindustrial sector that can produce the basic goods needed by the masses in combination with a native capital goods sector, we need to implement the following measures (in addition to those listed in question 3):

--Increase participation in decision-making by popular and peasant organizations;

--Strengthen the national and regional planning system;

--Develop and implement applied technologies, etc.

In other words, all the measures aimed at forming a relatively homogeneous national market on the basis of a redistribution of income in the following directions: from the modern sector to the traditional, from the city to the countryside, from the rich to the poor, from the speculative sectors to the productive ones.

Cesar Vasquez: "Deal with the Debt without Further Harming the Poor"

1. The proposal is appropriate if we look at the issue from a nationalist point of view. It also serves notice of the government's intention to deal with the debt service in a way that will not involve further deterioration of the poor's standard of living.

Its feasibility will depend not only on the success of the economic program under which this initiative is taken. It will also be a function of the cohesion and popular support the government is able to enlist in facing the ultimate consequences of pursuing such a precarious proposal, and of the willingness of creditors to modify the current terms of payment. Paradoxically, although the IMF has been kept out of the renegotiation process, significant advances in the adjustment that is underway would guarantee that controversial organization's approval of the efforts to be undertaken.

2. No. The following additional measures would be required at the very least:

a) Launch an intensive campaign to stimulate exports, whether traditional or non-traditional, implementing intelligent labor policies that would minimize the quantum losses caused by strikes, defending the prices of raw materials on the international markets, improving promotional methods, and making the export community aware of its obligation to meet the challenge of bringing in foreign exchange.

b) Prohibit superfluous imports; suspend those that compete with national products; and selectively modify current customs tariffs.

c) Control and decrease for a minimum of 3 years the profits remitted abroad, especially those of the firms that exploit our natural resources.

d) Implement a rational and effective indebtedness policy, which should have two features: requesting loans from international private banks only for productive purposes, especially for export activities that would yield rapid returns, and limiting loans taken out for the purchase of war materiel to 10 percent of the respective annual total, at the most.

3. If we are talking about the short term, perhaps. But price stability on a broader temporary horizon would require at least the following:

a) The elimination of the budget deficit, and therefore the implementation of a tax reform program that would enable the government to collect 20 to 25 percent of the GDP in taxes, placing the burden on the higher-income sectors.

b) The convening of the National Economic Congress as an initial step toward recognizing a shared responsibility that is nonetheless differentiated between labor and management.

c) An increasingly restrictive management of the exchange rate as a means to balance international payments, and the replacement of the exchange rate with the wide gamut of instruments available under an active economic policy.

4. The measures adopted appear to distribute their costs equitably among the various social agents. It should not be forgotten, however, that they have been taken in the context of an unequal structure of income distribution. In 1984, profits, which accounted for 35.9 percent of the national income, exceeded the proportion represented by remuneration in the country's income (33.9 percent). Therefore, devaluations, increases in the prices of fuels, and adjustments in the rates charged for public services depress real wages, and thus simply make the actual distribution of the national income even more regressive and unjust for the workers.

5. a) Productive efficiency: Encourage the maximum possible utilization of the installed productive capacity, guaranteeing a domestic market for the self-sufficiency of the recuperative effort.

b) Domestic savings: Establish mechanisms for forced savings by high-income groups, and discourage luxury or unnecessary consumption in general.

c) Investment: Minimize the possibility of speculative investment and develop a preferential treatment with regard to the potential for capital accumulation in the informal sector.

d) Exports: (see Question 2, Paragraph a).

e) National Income: Initiate a process of national income redistribution that would triple the income of the poorest 20 percent of the population and double that of the next 20 percent, at the expense of the richest 10 percent.

Miguel Vega Alvear: "The Price of the Dollar Will Depend on the Productive Backing We Give It"

1. The proposal seems to be appropriate. We do not know for certain whether it is feasible. "Appropriate" means adapted to existing conditions: in this case, our real payment capacity. "Feasible," on the other hand, means likely to be carried out; in this case, it is a matter of the plan's acceptance by creditors, something over which we have no control. We must also make provisions for them to buy what we need to sell.

2. The price of the dollar depends on external variables which we cannot control. The price of the currency with which we buy dollars (the sol) depends on the productive backing we give it.

To achieve an "external balance," as stated in the question, it will be necessary to constantly adjust the values of the two currencies. The answer, therefore, lies in the results of the measures that have been adopted and the

alternatives in the U.S. economy, which is facing a serious budget deficit problem.

3. Inflation has several ingredients. Many people contend today that in view of our countries' inflationary inertia, the first thing that must be done is to take action on the psychological component of that inertia (propelled by expectations), which has become a veritable mechanism of propagation. In this regard, freezes seem at first glance to be an effective measure.

The other elements of inflation (issuing currency without backing, the budget deficit, an imbalance between spending and investment in the economy as a whole, a negative return on investments in public enterprises) are the very foundation of that inertia and those expectations. Drastic action should be taken to combat them.

4. If inflation is brought under control, then all Peruvians will benefit. If we think of anyone being damaged, the first thing that should concern us is the disproportionate sacrifices that are being expected of private producers and state producers. The latter are apparently not being asked to sacrifice anything, even though they are primarily responsible for the "family basket."

For example, look at potato farmers and marketers. Between July 1980 and July 1985, cumulative inflation--which affects all of us--amounted to about 3,584.4 percent.

The price of white potatoes went from 93 to 1,732 sols per kilo during those years, a 1,762 percent rise. This means that the price of potatoes was 1,882.6 percent below the cumulative inflation index.

What happened to the kerosene, gas, and water that are needed to cook the potatoes?

Kerosene soared from 10 to 1,293 sols per liter (9,245.4 percent above the cumulative inflation rate).

Gas went from 485 to 44,700 sols for a 24-lb. cylinder (5,531.4 percent above inflation). And water climbed from 414 to 27,084 sols for a typical consumption of 30 cubic meters (4,852.4 percent above inflation).

Potatoes come from private producers and marketers; kerosene, water and gas are under state control.

Why persecute those who produce and sell potatoes, and not those who produce and sell kerosene, water and gas?

5. An integral, coherent program is needed to establish priorities among measures so that production, productivity, employment, investment and savings can all be increased.

88926

CSO: 3348/47

PERU

MBH SENATOR SAYS GOVERNMENT LOSING CREDIBILITY

Lima EL COMERCIO in Spanish 7 Oct 85 p A-6

[Interview with MBH deputy Francisco Diez Canseco; date and place not specified]

[Text] In the chamber last week, deputy Francisco Diez Canseco (MBH [Hayaist Movement]) asked the government to officially lower the prices of goods and services since he considered the recent increases unconstitutional. They contradict DS 370 EF.

In the dialogue he held with EL COMERCIO, the MBH parliamentarian said that the government position makes the people lose confidence in it since it says one thing and does another.

[Question] What can you tell us about the price increase for goods and services?

FDC: In the first place, I must say that the president of the republic announced a price freeze to the country on goods and services like telephone, electricity and water. At the end of a month, the people were hit with exorbitant price increases that are affecting those who have the least, contradicting the policy of a government that claims it works for the neediest.

[Question] What should the government do?

FDC: Repeal the price increases for electricity, water and telephone. Also return the extra money collected to the customers. That is the least it can do.

[Question] What percentage did the prices of goods and services go up?

FDC: I will give exact examples to show the abuse in these increases.

From January to July, electricity, water and telephone increased 11 percent, 15 percent and 12 percent, respectively. However, in August the increases were 35 percent, 25 percent and 22 percent, respectively.

[Question] What is the reason for these increases?

FDC: Increases in the costs of the enterprises unquestionably means a higher production price. The government, I repeat, must seriously consider this matter. Otherwise, it can hurt production since the industrialists, unable to increase the prices of their products, will find it necessary to close their businesses or lay off personnel. That would, indeed, be very unfortunate.

7717

CSO: 3348/64

PERU

GARCIA WITNESSES NAVAL REVIEW, AMPHIBIOUS LANDING EXERCISE

Lima EL COMERCIO in Spanish 7 Oct 85 p A-9

[Article by Victor Rodriguez O., special correspondent]

[Text] Aboard the Coast Guard BAP "Santillana"--A naval review in homage to Adm Miguel Grau and in commemoration of the 106th anniversary of the Glorious Naval Battle of Angamos was held yesterday under sunny skies but in rough waters.

Thirty Navy surface units, submarines and airplanes from the Air-Naval Force of the Peruvian Navy participated in the review.

The impressive naval review that lasted about an hour took place in the Grau Sea off the coast of Chorrillos. President Alan Garcia Perez watched on board the missile ship "Montero." He was accompanied by the minister of the navy, Adm Julio Pacheco Hubner, and other ministers, government officials and top naval command.

Strength and Discipline

On this occasion, the Peruvian Navy once again demonstrated its strength and discipline, emphasizing the ability and training of the chiefs, officers and crewmen in navigating the ships and submarines and the expertise of the naval aviators who calmly flew low over the flagship.

The large audience on the shore could also appreciate the modern Peruvian Navy, made up by the different types of ships that formed a long line and passed before the chief of state.

Reviews the Fleet

After boarding the flagship in Callao to go to Chorrillos, the chief of state first reviewed the units of the fleet that were anchored 2 miles from the coast (from Bella Sea to Chorrillos). He received the honors due his position from the officers and crewmen who were in formation on the decks of their respective ships.

About 15 minutes later, the BAP "Montero" was off Chorrillos and the naval review began. The chief of state and his retinue watched from the command post of the "Montero."

The impressive review began with the modern missile frigate BAP "Carvajal." The crew, in formation on the deck, cheered Peru as they went past the "Montero."

Minutes later the missile frigate "Villavicencio," followed by the missile destroyers "Ferre," "Palacios," "Bolognesi," "Castilla," "Quinonez," "Galvez" and "Diez Canseco," passed the president's ship in a perfect single file column.

Then the submarine support destroyers "Rodriguez" and "Santillana" paraded by, followed by the missile corvettes "Velarde," "De los Heros," "Larrea" and "Sanchez Carrion."

Submarines Pass

The second naval group formed by eight submarines of different types followed these surface units. Some fired their guns to salute the president of the republic.

None of these units presented their crews on deck due, perhaps, to the rough sea. The water at times covered the keels of the submarines.

The naval auxiliary ships, including oil tankers and oceangoing tugs, ended the review.

While these ships and submarines passed in review, other Navy ships like the Coast Guard patrol boats served as the flagship's escort.

Naval Force Flies Over

As the surface units passed in front of the flagship, the Air Naval Force flew over. First came the squadron of Alluette, Augusta Bell and Sea King antisubmarine helicopters. Then the AT-37 training planes, the B-280 and Focker submarine exploration planes and the Traker antisubmarine planes flew low over the "Montero" in perfect formation.

When the naval review ended at about 1 pm, President Garcia Perez, accompanied by the minister of the navy and his retinue, boarded a Sea King helicopter that had just landed on the deck of the "Montero." It took them to the coast to watch the landing maneuvers of the Marines.

About 50 Peruvian and foreign journalists from the press, radio, television and news agencies watched the movements of the naval and air units from the sea.

The foreign journalists showed their admiration for the discipline demonstrated by the Navy in the perfect navigation of the ships and piloting of the airplanes in their passes over the flagship.

7717

CSO: 3348/64

PERU

JUDGES DEMAND JUDICIAL SYSTEM MODERNIZATION

Lima EL COMERCIO in Spanish 3 Oct 85 p A-8

[Text] Examining judges interviewed about their duties and the leniency in the administration of justice said that the problem is not so much one of moralization but modernization of the judicial system which is obsolete and anachronistic. It does not have the latest advances in criminal science.

When asked, they said: "The stereotype is that all judges show improper conduct at work."

They mentioned that the new judges are people chosen by vocation. If there were people who had problems, they have already left.

It should be recalled that, in 1981, about 60 percent of the judges were replaced. The new judges were appointed after a rigorous competition.

One of the judges in that new batch said that he was not given indispensable work supplies.

He revealed: "They gave us the building and keys. Each one had to bring his own desk, chairs, typewriter, etc. There was a long and tedious proceeding in the Administration Office of the Judicial Branch in order to obtain work material."

Why Doesn't Justice Advance?

Among other factors, according to those whom we interviewed, because crime has increased by a large percentage in recent years. It has practically increased geometrically.

There are not enough judges in Lima. There should be at least 100 which, according to those who know, would not entail much expense for the state.

The judge does not have the facilities for the proceedings he must carry out.

For example, the judge on duty is responsible for the entire province of Lima. He has at his service a very old patrol car that breaks down constantly. It

frequently breaks down on its way to pick up a corpse. This patrol car has a radio with little power which is not compatible with the urban size of Lima.

As a general rule, the judge is always last. The police arrive first and then just drop off all the evidence in a case. The judges say: "The police do not even deign to call us to communicate a fact to us."

It could be verified that they receive a thousand sheets of paper for a month's work. In general, they are sent 1,000 cases, each of which has many pages. They say: "We have to divide each page in half so that it lasts us a little longer."

The buildings that they occupy are short of space. They are practically outcasts in the old Palacio de Justicia. There is no privacy for the investigations and proceedings.

Some Solutions

This situation could be averted if the buildings were improved and the courts given more skilled personnel. They are now in the "stone age."

The new judges have worked with tremendous limitations for about 2 years. It is necessary to acquire new files to organize all the tangle of documents that are now piled up in the limited space.

It should be pointed out that most criminal trials are decided by the judge. Only a few go to the courts with final reports.

More examining courts must be established, without reducing the decision capacity of the judge.

It should also be recalled that a trial goes back to page one when the oral examination is interrupted for 8 days.

Today the judges are required to do more work than they are materially suited to do. They practically work full-time and are exposed to constant threats, even to their families. They receive political pressures of every type, according to the judges.

7717

CSO: 3348/63

PERU

INDUSTRY, AGRICULTURE, MINING CRITICAL TO REACTIVATION

Lima EL COMERCIO in Spanish 6 Oct 85 p A-2

[Article by Ramon Remolina]

[Text] We want to reactivate is a compound verb that is fully conjugated in our country because:

I want to reactivate.

You (the reader) want to reactivate.

He (Alan Garcia) wants to reactivate.

We (Peruvians) want to reactivate.

You (those in the government) want to reactivate.

They (those in the opposition) want to reactivate.

According to the saying, "if you want to do something, you can." However, there is another saying: "Easier said than done." In our case, it is even more difficult because there has been such a big decline.

There is an axiom in geometry: "A straight line is the shortest distance between two points." To achieve the reactivation that we all want, it is necessary to find that straight line.

The three sectors that basically determine the growth or lack of growth of production are: the industrial sector which makes up 25 percent of the Gross Internal Product; the agricultural-livestock sector that contributes 15 percent; and the mining sector that represents 10 percent. In these three cases, the volume of production will depend on the market that absorbs it. That market can be inside or outside the country.

In the case of industry, our country consumes 80 percent of the industrial production and exports 20 percent. Half of that 20 percent comes from plants designed expressly for exports like cotton thread. The other half comes from plants that produce for the domestic market. The majority of them are very

small and inefficient. They were installed in the 1970's and protected by the complete closure of the market.

Those plants can only competitively export the marginal production that they produce at a marginal cost. When part of the domestic market is taken away from those industries and their production does not reach a point of equilibrium, nothing can be exported because they would have to do it at a loss. No one in the private sector can produce at a loss. That is a privilege reserved for public enterprises.

That is why the complete and indiscriminate opening of the market decreed in 1980 was so harmful. Its adverse effects were covered up or hidden by the foreign currency surplus and surplus in the trade balance which we achieved with the high prices of our traditional exports and with the massive entrance of foreign loans.

When the prices of traditional exports went down, the adverse effects showed up with deficits in the trade balance. These were then corrected by limiting imports through accelerated devaluation which has led us to the crisis we struggle with now.

Measures have been taken now to protect industry. This should reactivate production. However, at the same time, prices were frozen and controls established. This produced stagnation and recessive symptoms have appeared. It is necessary to correct them immediately with emergency actions.

Agricultural-livestock production must be given priority by constitutional mandate, especially when there was an insignificant growth of 0.3 percent in the 10 years between 1970 and 1980. This was the worst development in all Latin America and was the result of the way the agrarian reform was applied, collectivizing property. This ownership structure impedes and contradicts every individual effort to produce more.

If the large estates were parceled out in lots of 150 hectares--the legal limit not affected--with those lots managed by groups of the current beneficiaries as jointly owned property, or parceled out in individually owned lots, transferring the property to the current beneficiaries with the obligation to work the land cooperatively in optimal economic units, agricultural-livestock production would not only be reactivated but there would surely be spectacular growth.

It is also necessary to plant what is suitable to the area like Tanguis cotton on the central coast and Pima cotton in Piura. This fiber is used in the country and exported. It must also be recalled that for each quintal of fiber produced, a quintal of seed is produced which provides edible oil and cattle feed. Also the production of 2 hectares of corn or 3 hectares of wheat can be imported with the export of 1 hectare of cotton.

With the almost unlimited mining resources that the country has, the way to exploit them in the present generation and under the current deficit circumstances would be by developing large mining projects. Five or six large

copper projects like Toquepala and Cuacone are being studied and are ready to be carried out.

Unfortunately, those projects are completely unfeasible now and must wait for better times because each project requires the investment of \$1 billion. The current price of copper is 60 or 65 cents per pound compared to unit costs that border on \$1 per pound.

If this had been done in the 1970's when costs were half as much and prices twice as much, foreign capital would have been enormously interested in investing in the country. However, at that time it was thought that the natural resources should only be exploited by Peruvians and, therefore, we had to keep them underground until we could take them out. That thesis is equivalent to the case of a very sick person who is not given remedies prescribed by the doctor. Instead, they are kept in the drawer of the nightstand. When the patient dies, these medications are used on him in the hope of reviving him.

Luckily, our silver, copper, lead and zinc mines can be worked at low prices but they can only be exploited if the rate of exchange is good since all their production is for export.

If only the above concepts help achieve the economic reactivation we all want.

7717

CSO: 3348/63

PERU

BRIEFS

MINISTER: NO IMF WITHDRAWAL--After being heavily pressured by newsmen, Peruvian Economy and Finance Minister Luis Alva Castro said that Peru will not withdraw from the International Monetary Fund [IMF], but will study ways to maintain relations with the IMF, without accepting any impositions. [Text] [Havana International Service in Quechua 2200 GMT 18 Oct 85 PA]

MILITARY HOLDS PRESS CONFERENCES--The Joint Command has decided to hold regular meetings with representatives of the national press in order to keep the public informed of the civic duties performed by the armed forces. This measure, adopted on the initiative of President Alan Garcia, will enable the public to receive accurate information about issues within the military sphere, and thus prevent disinformation and speculation about certain matters. A source at the Joint Command stated that the military institutions have unlimited respect for the freedom of the press and the freedom of opinion, and that the meetings with journalists will help them analyze together the treatment of a given event. The source stressed that the chief of the Joint Command and commander general of the Peruvian Air Force (FAP), Gen Luis Abram Cavallerino, wants to establish closer ties with the mass media in order to orient information better, with respect for the freedom of the press. Regarding the events of Accomarca and others in the central area of the country, the spokesman stated that a report on the investigation is being written, and that in the next few days the initial conclusions will be revealed to the press. [Text] [Lima EL COMERCIO in Spanish 28 Sep 85 p A-4] 8926

ELECTRO-PERU CHAIRMAN NAMED--The special general meeting of shareholders of ELECTRO-PERU [Peruvian State Electric Power Enterprise] appointed Dr Alfredo Ghibellini chairman of the board of that enterprise. He will replace engineer Augusto Martinelli Tizon who resigned from the position last week. Ghibellini was nominated for the position by the president of ELECTRO-PERU, engineer Jorge Ramos Ronceros. Also at this meeting, the work done by engineer Martinelli during his term as chairman of the board was pointed out. ELECTRO-LIMA reported that the new board also includes Eduardo Jane La Torre, Ricardo Sanchez Sobero, Juan Carlos Salas Arnaiz, Alfredo Saldana Nunez, Edgard Ibarcena Acosta and Luis Sierralta Peralta. Fernando Huayanca and Orlando Libralato will remain on the board representing the employees and workers of the enterprise, respectively. [Text] [Lima EL COMERCIO in Spanish 8 Oct 85 p A-7] 7717

SMALL INDUSTRIES PROTEST FREEZE--Yesterday Francisco Martinotti Sormani, chairman of the Small Industries Committee, asked government authorities to give them the credit and confidence they need. He analyzed the situation that afflicts that sector. He said that one of the things that affects small industries most is the price freeze. It has been verified that their sales have gone down 50 percent in the last 2 months because the merchants are not buying like they did before. He added that the small industries are producing well now but there is no demand. Sales have gone down even 70 percent for some small industries like cleaning services and clothing. He said that they are not against this economic measure because they believe that it responds to an alternative and an economic process for our country. However, prices must change gradually and slowly. He remarked: We feel we should be given the credits we need so badly. [Excerpt] [Lima EL COMERCIO in Spanish 4 Oct 85 p A-11] 7717

AYACUCHO IRRIGATION PROJECT--Ayacucho, 6 Oct--INADE handed over nine irrigation infrastructure projects, carried out with an investment of 2,542,543,000 sols, to the peasants in Huanta and Huamanga Provinces. This was done through the South Central Mountains Project and Agrarian Region XVIII-Ayacucho. These projects have made it possible to cultivate 510 more hectares of land that will directly benefit 417 producers. These irrigation projects will be administered through the irrigators committee which will be responsible for their maintenance. Supervision and control will be under the Water Directorate of the Agrarian Sector. The participation of the community must be pointed out. This made it possible for the projects to be finished on time. [Text] [Lima EL COMERCIO in Spanish 7 Oct 85 p A-12] 7717

CSO: 3348/64

SURINAME

SOMOHARDJO ON RESISTANCE, PLANS

Rotterdam NRC HANDELSBLAD in Dutch 11 Sep 85 p 3

[Article by editor Hubert Smets: "Makmur [expansion unknown] Foundation Eagerly Wants Weapons Back"]

[Text] Rotterdam, 11 Sep--The Suriname "liberation struggle" has many friends of many different types. Half-way into the meeting, yesterday afternoon in the Makmur Foundation building in Rotterdam-South, four men suddenly entered who are also interested in the liberation of Suriname. While Paul Salem Somohardjo, chairman of Makmur, a former member of parliament in Paramaribo, a Javanese, but above all "a resistance fighter" was speaking emotionally, the four sat down conspicuously. In front was a Rotterdam cafe owner dressed up in a very large, elegant summer suit and a cheap necktie. The others wore three piece suits and carried Samsonite bags. The last one, according to his own statement, "an Austrian" had a somewhat more distinctive appearance with a Lions pin on his lapel. They were ominously silent about what confidential information they had to offer Paul Somohardjo, "Somo." Their mission is secret, was the only thing the cafe operator wants to reveal.

Paul Somohardjo also reassures the journalists present and the sympathizers in their bustling entrance "the Suriname people have many friends." Likewise these four men, who perhaps can help "Somo" in stage A of his work, the overthrow of the government of army officer, Desi Bouterse, a goal which Somohardjo intends to achieve, if necessary, with violence.

Instruments

The weapons which the police found at the end of July in a residence on Walcheren Street in Rotterdam were, moreover, not intended for that purpose, Somohardjo had explained the same in detail shortly before that. According to the leader of the Javanese community they belonged to a friend from the resistance

who has less "patience" than is required in the struggle against Bouterse. This man ("Somo" will not give his name), who has won his spurs with all kinds of sabotage operations in Suriname had asked R. Sietal, executive committee member of the Makmur Foundation, if he could store two trash bags with instruments in that house on Walcheren Street. Sietal agreed, thinking that "crow-bars, hammers and other instruments were in the bags.

When the police conducted a raid at Walcheren Street, they found quite different things: 4 rifles, 24 pipe bombs, over 2,000 bullets, a bow and arrow, handcuffs, a silencer, "a survival knife" and in addition a toy revolver "Gonzalez brand, made in Spain."

Besides Sietal, Somohardjo, Anat and Kasie (all Makmur Executive Committee members) were also kept in preventative detention. They were released Friday. But according to public prosecutor, doctor of law, R.A.F. Gerding, they are still "certainly not" guaranteed against further prosecution.

"Stage A" consequently will not be put off too long. Somohardjo certainly knows "the opposition is now really in operation in Suriname." The man with the trash bags left for the South American area 2 months ago to develop some guidelines. "We cannot liberate Suriname without violence," is consequently the starting point of Romeo Host, one of "Somo's" friends.

Although no violence on its part needs to be feared in the Netherlands, the Makmur Foundation would gladly like to have back the weapons which the police have confiscated, with the exception of the toy pistol. Why? It is not clear. In any case not because of Desi Bouterse himself, to eliminate him. According to Somohardjo, "that would be senseless for logistical reasons alone." He also does not need them against the supporters of the army officer in the Netherlands. They are not there anymore since Rob Wormer has deserted and his faithful follower Tjon Wolf was arrested by the police. "We do not need any weapons here. We can buy them easier in Cayenne or Caracas. We need men and we have them. I, the leader of the Penda Ulima Party can mobilize the people in Suriname in an hour."

Nothing is left to chance. "Stage A" may consequently not be prepared in the Netherlands--the BVD [Internal Security Service], CID [expansion unknown], PID [International and State Defense Police], MID [Dutch Military Intelligence Service] and even the BID [Foreign Intelligence Service] secret services with which he claims he has friendly relations, are watching there sharply--but "stage B" is just as important. For the sake of that stage,

"Somo" has asked the Belgian jurist, Frank van Dun, from Ghent to examine the new constitution on which the new Suriname, after the liberation, must be based.

If it depends on Somohardjo, Suriname will be organized on almost classic 18th century lines, in accordance with the teaching of the enlightened philosophers John Locke and Montesquieu.

The constitution is still not ready in detail, but the main lines have already been established. The principle that "democracy and dictatorship sometimes have much in common with each other" is essential in "Somo's" political theory. The choice which must be made in Suriname goes much further: it is the choice between "state order on one hand and legal order on the other hand." Democracy is a form of state order which forces the citizens "to split up into two or three parties at each election. Therefore political conflict is the characteristic and even the goal of every democracy."

In the "legal order" which Somohardjo wants to establish immediately the state hardly still plays a role. Suriname will be a posthumous honorary testimonial to the Scottish textile manufacturer, Adam Smith. "The less the government hinders the industrialists and the stricter the fundamental legal principle is maintained, the more rapidly the wage level rises and the better other working conditions are," the Surinam politician believes.

The governmental system will be grafted on that. Certainly there will be an elected people's representation, but the decisions will be made by a "government with a single leader" (all those different ministers only shift the responsibility on each other), by the people themselves through referenda and there is a "Constitutional Council" which is elected by the forty-plussers and must strictly safeguard the constitution.

The state will retreat in almost all fields. The land which the government has will be distributed by lottery among the people. The national bank will lose its monopoly on the "Suriname guilders" because that only leads to inflation and foreign exchange shortages. In the new Suriname, each bank will be allowed to issue its own currency.

Taxation will be as good as abolished. The treasury will be interested only in consumption activities, such as the sale of postage stamps, ambassadors' credentials, titles of nobility, state lottery tickets, fishing concessions, and joint ventures with foreign enterprises. Moreover, the percentage of taxation will be determined by popular vote.

Even the preservation of the legal system will be taken out of the government's hands. The police will be put on a private basis, for the most part, as Somo" has finally had his say in the matter.

Public prosecutors are not necessary in Suriname. In a democracy, the aggrieved party, the victim of the crime, never gets his rights. Only the state profits from the fines which are imposed. In Suriname, the victim will be able to determine immediately what happens to the transgressor or criminal. So the "legal representatives of a murdered person can decide on the death penalty being converted into the obligation to pay a sum of money." And "if, for example, a vagabond enters someone's house and spends the night there, without doing any damage," the occupant still can demand "a sum of money."

It is all for the criminal's own good. According to Somohardjo, "it will lead to the criminal being better treated and more constructively occupied than is now the case."

Somohardjo laments democracy and dictatorship alternating continuously everywhere in the world. But it can be different in Suriname. According to the former member of parliament, "a people can free itself from this disastrous political sequence, only by setting up a more equitable legal system." "An especially harsh dictatorship can reveal the virtues of the rule of law. Viewed in that light, Desi Bouterse's dictatorship even could be beneficial."

8490
CSO: 3614/5

URUGUAY

2D ARMY DIVISION COMMANDER DISMISSED

PY170139 Montevideo Radio Carve in Spanish 0000 GMT 17 Oct 85

[Excerpts] President Julio Maria Sanguinetti has dismissed General Alfonso Feola, the commander of the 2d Army Division, because of a letter the general sent to the press comparing the salaries of the ministers and the generals under the military regime and under the current administration.

All congressional sectors have expressed support for the presidential decision, recalling that the president is the commander in chief of the Armed Forces.

The government decided to dismiss Gen Feola after the publication of a letter he sent to two Montevideo newspapers. The decree was signed by President Sanguinetti and Defense Minister Juan Vicente Chiarino.

The officer who will replace Gen Feola as commander of the Army division headquartered in San Jose will be designated in the next few hours.

Defense Minister Chiarino tonight told Radio Carve that the presidential decision has provoked no reaction within the Armed Forces, where total tranquillity prevails. He added that even though Gen Feola's letter contains accurate information, military officers on active duty are specifically forbidden from making public statements on such issues.

Therefore, it has been made clear that Gen Feola has been dismissed because he made a public statement without the appropriate authorization of his superiors. The general's letter refers to the salaries earned by members of the Armed Forces, pointing out that it is necessary to clarify the issue, because some people have said that Armed Forces personnel earn very good salaries.

In the meantime, Army Commander in Chief Lieutenant General Hugo Medina today met with President Sanguinetti for the second consecutive day. No information has been released on the meeting, which took place on the 7th floor of the Libertad Building. However, it has been reported to Radio Carve that Sanguinetti and Medina analyzed Gen Feola's case in detail.

The presidential decision was made in strict compliance with the existing constitutional principles and military regulations, which do not allow Armed Forces personnel to make public statements without the approval of their superiors.

The executive branch has handled the dismissal of Gen Feola and the information on the case with extreme care and responsibility, because the situation has been regarded as serious and worrisome.

Gen Feola is still on duty, because the presidential decision has affected only his assignment in San Jose. However, the general himself can ask for voluntary retirement.

Since he assumed office on 1 March, President Sanguinetti has overcome many serious situations involving the Armed Forces. Among them are the voluntary retirement of General Jose Maria Siquieira, who voiced dissatisfaction over the decision to restore military rank to Liber Seregni.

The current crisis is believed to be the most serious the president has had to confront.

In political circles, Gen Feola is regarded as a pro-civilian officer who defends the democratic system.

/8918

CSO: 3348/124

URUGUAY

BRIEFS

GOVERNMENT CONDEMNS APARTHEID--In a note addressed to Ambassador J.S. Garba, the president of the UN Special Commission Against Apartheid, and signed by Foreign Minister Enrique Iglesias on the occasion marking the "Day of solidarity with the South African political prisoners," the Uruguayan Government expressed "its energetic repudiation of the apartheid policy being implemented by the South African Government, a policy resulting in consistent human rights violations, that is, crimes against humanity." Iglesias added that "my country, which has resumed its traditional stance of staunchly championing human rights, wishes to express, through Your Excellency, its support and solidarity to all those who, in their struggle against racism, have been subjected and are being subjected to persecution, imprisonment, and torture." The Uruguayan foreign minister added that "at the beginning of 'International Peace Year' I express my wish that the South African Government will put an end to its discriminatory policy which constitutes an affront to mankind." [Text] [Montevideo EL DIA in Spanish 13 Oct 85 p 9 PY]

/8918

CSO: 3348/124

VENEZUELA

CARLOS ANDRES PEREZ ON REELECTION, DEBT REFINANCING

Caracas BOHEMIA in Spanish 23-29 Sep 85 pp 58-61

[Interview with former President Carlos Andres Perez by Rosana Ordonez; date and place not specified]

[Text] Carlos Andres Perez, the former president who is running for the office again, is the most charismatic and controversial figure in Venezuelan politics. People either love or hate him. He is on the move. People follow him wherever he goes. The bullfights are boring when he is not in attendance, and at the AD fair he received the loudest applause but some whistles as well. All current political decisions seem to be made with him in mind. Both inside and outside the party the big question seems to be: How can Carlos Andres Perez be stopped? Meanwhile, he continues his busy schedule, consolidating his leadership. The interview was a tough one, strong answers to questions that perhaps made him a bit uncomfortable, a 2-hour conversation that was more of an effort than his strolls in Catia.

Rosana Ordonez: You are on the move...

Carlos Andres Perez: That's what my adversaries are saying, and my friends wish it were true. Nothing of the sort. I am an important Democratic Action leader who is assuming his responsibilities and taking part in the party's internal process as I ought to.

RO: In any event, you are everywhere, speaking with the media, walking around, going to bullfights...

CAP: People know me, everyone knows how I am. No one would recognize me locked up between four walls, lounging around, to put it colloquially.

RO: The people are saying that no one can stop you.

CAP: That's just talk.

RO: The last AD convention has been called anti-Perez.

CAP: That is really silly, not to use another adjective. I was a moderating, balancing force at the convention. It was a gathering exclusively to discuss amendments to the bylaws, and I was not involved at all. I was there to get opposing forces to compromise. That is the truth, the whole truth and nothing but the truth. What you mentioned is the conjecture of reporters who have nothing to keep them busy and politicians without an imagination.

RO: You always seem active. Are you hyperkinetic, hyperactive?

CAP: I like medicine a great deal. I am a restless person, blessed with vitality and decision-making ability that make me that way. My spiritual and hormonal equilibrium would be the envy of any of my fellow men.

RO: If you became president again, would you govern with ministers like Diego Arria and Gumersindo Rodriguez?

CAP: That question is a trap. Answering it would mean admitting that I am or am not seeking the nomination. But I won't beg the question. I know that a campaign has been conducted against Diego and Gumersindo, portraying them as detestable individuals who have great influence over me and who did and would take advantage of me. This is disgraceful.

RO: But they were two very important figures in your administration, do you remember?

CAP: That is an idiotic fable; that's the only description it deserves. Yes, I am a friend of both Diego and Gumersindo. They were magnificent colleagues. But they've had a life after my administration. Gumersindo resigned and went into private business. He is not currently involved in politics, and I see him sporadically. He is still my friend. Diego was bitten by the presidential "bug" and decided to set up shop elsewhere. He then left the country to engage in private international business. He is still my friend too, but he does not belong to my party, and my political ties and colleagues are in AD.

Gumersindo and Diego were accused of mismanaging the funds they had available, of using their high-level posts in my administration to strike it rich. My position on this matter is quite clear and is even stated in writing in my last message to Congress. My colleagues in government had an obligation to explain and defend their actions and could not expect any sort of a priori solidarity from me, except for the sort of defense that they themselves were able to put up.

We must not forget how vilely I was attacked in the attempt to destroy my good name and kill my political career. My colleagues and my relatives were subjected to the most exhaustive investigation. Absolutely no charges could be proven against Gumersindo, and that evidence must dictate what I say about him. Diego Arria was investigated by the Illicit Enrichment Commission and the courts. Of course I reported these cases in my capacity as president, because this was another aspect of my performance in office: to look into everything. Of course my instructions to conduct investigations could not be aimed at Arria but at the activities during his term as governor of Caracas

and president of the Simon Bolivar Center. I was the one who passed the cases on to the Comptroller's Office and requested an inquiry into the purchase of the plots of land in Antimano and into Camuri Chico. The courts found no criminal or punishable offense. This does not mean that I was not right to request the inquiry. Unquestionably there was at least negligence during these negotiations, but it could not be blamed on Diego.

RO: So this is the question that hurts the most then?

CAP: I have taken some time to answer it because it is not a naive question or one that reflects mere curiosity. A "sotto voce" campaign has been orchestrated to publicly ridicule these two Venezuelans, who deserve my respect, to destroy them and then to portray them as the prototypes of my political friends. I planned to dot i's and cross t's when the question was brought up, and you are the first one to do so. I want people to know that I do not have "sidekicks" or close friends who accompany me everywhere and who I consult with on how I ought to act. The Venezuelan people know me well and realize that that is not my personality. And my party knows me even better and knows that I conduct my political activities within and with the party. Amen.

RO: How do you feel when high-level AD leaders say that they are against a second term for presidents?

CAP: I want to sidestep any issue that would lead me into a discussion of candidacies. This is a serious provocation. I have always said, and I will say it again now, that I have never understood this ploy. If what they mean is that they are opposed to my own hypothetical candidacy, then they should say so flat out and not look for unbecoming euphemisms.

Reelection is not a philosophical or legal issue; it is a provision of the constitution. Moreover, in a party system the ban makes no sense because it would have to apply to the reelection of a party. In a democracy, sovereignty rests with the people, and it is up to the voters to say whether someone who was president can hold the office again.

The only country in Latin America that goes by this rule is Mexico, where neither party officials, nor congressmen nor senators can be reelected.

RO: Don't you think that you are hurt by former President Rafael Caldera's repeated reelection bids?

CAP: The case of Caldera demonstrates what I just said, in other words, that the fact that a former president is running does not make him president. A majority of voters said no to Caldera, but no one claimed that it was because he was running again. The unanimous feeling is that if Caldera had not been the candidate, COPEI would have taken a dreadful trouncing at the polls because Luis Herrera's administration was such an unforgettable disaster.

RO: Do we pay off the debt or reactivate the economy?

CAP: Given the arrogant behavior of the international banks and the acquiescent aloofness of the governments in the industrialized countries, this is obviously the dilemma. The burden that is being placed on these countries is soaking up the funds that they need to revive their economies and attend to social problems.

A country's number one creditor is its people; the other creditors come next. In spite of this categorical assertion and without contradicting it, I am in agreement with President Jaime Lusinchi's rescheduling and with issuing threats now in spite of the dangers lurking on the oil market. I have to explain this apparent contradiction. First, the country is not mortgaging its economy and can, at any time, request another rescheduling. Second, Venezuela must continue to abide by the Latin American and Third World consensus in seeking and securing decent and rationally acceptable conditions for repaying the debt.

Meanwhile, a failure to reschedule means a total shutdown of the international financial system for Venezuela. A catastrophe. The historic obligation of Venezuela's democratic government, to do justice to AD's principles and to our loyalty to the struggle for a new international economic order of justice and equity, is to play an active role in the negotiations for a compromise between the governments and the financial institutions in the creditor and debtor countries. These negotiations must take into account the export earnings of each developing country, provide for low, fixed interest rates, and open up world markets to our countries' raw materials and manufactured goods, doing away with protectionism.

I hope and I trust that President Jaime Lusinchi will join with the other Third World presidents and speak up on this issue.

RO: So you are more of a leftist every day...

CAP: These terms are thrown around carelessly, because the Left is a spatial, not a political concept.

RO: I am referring to politics, not "spaces."

CAP: We have grown accustomed to using these terms to describe the people who long for the past (the Right) and those who believe in progress and in progressive or violent change (the Left). Those of us who are struggling for progressive change are the democratic Left, and those who believe only in violence as a path towards change are the leftists: the Marxist-Leninists (He laughs for the first time).

RO: You are going to run with or without AD.

CAP: I am a party man, and I conduct my life and my activities within AD. Any claims to the contrary are exaggerations or fables that desperate people have cooked up. To repeat an old witticism that has been attributed to me: neither the one nor the other, but rather quite the opposite.

VENEZUELA

IMPACT OF LOCAL ELECTIONS ON PEREZ' REELECTION VIEWED

Caracas ZETA in Spanish 3-14 Oct 85 pp 12-14

[Text] During the last few months of this year the Andean region will be the scene of an interesting confrontation that will enable us to gauge how sectors of the country that are for the most part supportive of Carlos Andres Perez will manage their relations with the former president as regards his chances for another term.

AD [Democratic Action] members in Tachira, Merida and Trujillo, and all over the country for that matter, will be choosing their sectional authorities. The process officially began on Tuesday 1 October and will culminate with AD elections throughout the country, possibly on 10 November, at which municipal authorities and delegates to district conventions will be chosen. From these district conventions will come the delegates to the sectional conventions that will elect the AD commands in each of the 25 sections into which the party is divided nationwide.

Former President Perez's staff (Teo Camargo, Hector Alonso Lopez, Pastor Heydra, Americo Martin and others) has gone into action in support of one or another hopeful in each Andean district. They have thus created situations that are not always that clear, because the leaders whom these activists from the Perez faction are backing are often not the ones that local voters are used to seeing as the faction's representatives in their region.

Where Everyone Is a Carlos Andres Perez Man

The reelection of Vianney Rodriguez as AD secretary general in Tachira is apparently not what the Perez faction's representatives are after, because from Caracas they have been promoting leaders like Jorge Romero in Tachira towns. With his characteristic diligence and vigor, Teo Camargo, Carlos Andres' representative in Tachira, is working against Vianney Rodriguez and Ron Sandoval, the secretary general and organizational secretary, respectively, who have carried the banner of the Perez faction for more than 10 years.

The reasons for this apparent squabble came to light at the previous gathering of AD's National Steering Committee, which is meeting again today, Thursday the 3rd, as this edition of ZETA is on the stands. At that meeting the

Tachira leadership sided with the national leadership on an amendment to the bylaws that placed party power in the head provincial men, an amendment that Carlos Andres Perez vigorously opposed. Vianney Rodriguez, the head of AD in Tachira, ignored Carlos Andres's personal pleas to desert the movement, which Luis Alfaro Ucero was promoting on the national level and which represents an ideological, class and generational revolution inside AD.

The stand that Vianney Rodriguez has taken in the Steering Committee could exemplify how former members of the Perez faction view their loyalty to the former president. Caught up in international issues, Carlos Andres has divorced himself not only from the realities of local politics in states like Tachira but also from the legitimate national aspirations of leaders there. People like Vianney Rodriguez regard their friendship with Carlos Andres as beyond question, but in politics they have to pay attention to a historic process whose next step is economic and social reforms, which have taken Carlos Andres by surprise, as the vote that went against the former president in the National Steering Committee showed.

The fact is that Vianney Rodriguez seems in a position to win the AD election in Tachira by a comfortable margin in spite of the feverish and by now embarrassing efforts that Carlos Andres' personal envoys have been making to change the voting trend in the most remote Tachira municipalities.

The Merida Dilemma

National political observers see Merida as one of the main problems standing in the way of former President Perez's bid for another term. Although the current secretary general, Manuel Mora Izarra, has not come out against Carlos Andres, nor would there be any reason for him to be a stumbling block, the former president has to respect his longstanding friendship with his lieutenant, Hector Alonso Lopez, whom Mora Izarra has defeated time and again in Merida primaries.

In spite of his relative youth (38), Hector Alonso Lopez is one of the leaders with the most experience in party infighting. In fact, he is the highest-ranking man that Carlos Andres has in this regard. There are not too many men like him in the Perez faction, though, which forces him to be in many places at once, defending the political interests of his boss all over the country. Spreading himself thin has been fatal to his ambitions for leadership in Merida. Manuel Mora Izarra, the 41-year old attorney who won at the previous Sectional Convention over a coalition that comprised practically everyone else, has devoted himself to his local leadership post and brought in the people who opposed him at the convention. Some of them are Jesus Alfonso Herrera (who ran with Hector Alonso for organizational secretary at the past convention), Senator Hugo Davila (the political secretary candidate on that slate), Elpidio Brandt (agrarian secretary), Ramon Uzcategui (union secretary), Jesus Puentes (La Azulita district organizational secretary), Ramon Guevara (youth secretary), Bartolo Parra (Rangel district organizational secretary), Blas Santiago (Nueva Bolivia district organizational secretary), Mary Gardenia Altuve (from the women's sector), Caracciolo Lobo (from professionals and technicians), Norberto Rondon (Libertador district

organizational secretary) and dozens of leaders who opposed Mora Izarra at the previous convention.

Perez faction circles in Caracas feel that the former president would do well to visit Merida and give Hector Alonso the kind of backing he gave Claudio Fermin and Carlos Sthory in Caracas and Benigno Velasquez in Zulia. Like Hospedales in Caracas and Americo Araujo in Zulia, Mora Izarra says that the confrontation would be beneficial to him because it would give him a chance to show that his leadership in Merida does not depend on external factors. It remains to be seen whether Carlos Andres will take the gamble.

Trujillo Overlooked

The rapid pace of events has prevented Carlos Andres from grooming a leader to capitalize on his grassroots support in Trujillo. Carlos Andres Perez must assess his backing in the Andean region to see whether his slogan of "El Gocho in 1988" is realistic, and the situation in this state seems quite clear.

The sectional secretary general, Eleazar Gonzalez, a 47-year old educator, has clearly expressed his political loyalty to Jaime Lusinchi, with whom he has always been aligned. This is not the best of news for Carlos Andres's reelection bid, inasmuch as Lusinchi has taken an unequivocal stand against presidential reelection.

It seems impossible to put together a movement capable of preventing Eleazar Gonzalez from continuing as AD leader in Trujillo.

Conflict of Interests

AD leaders in Los Andes are obviously very fond of Carlos Andres Perez as a historical figure, but their efforts are not channeled towards another term for the former president. As far as the Andean leaders are concerned, the Bylaws Reform, of which Carlos Andres has been the strongest opponent, is a real power goal and much more important than hypothetical presidential candidacies. The consolidation of Manuel Penalver as secretary general and of Luis Alfaro Ucero as organizational secretary, which would not be the best of developments for Carlos Andres, is, in contrast, of paramount importance for the advancement of these young Andean leaders. Therefore, the AD people in Los Andes are refusing to talk about anything other than the nomination process that will conclude at the National Convention in December.

8743

CSO: 3348/51

VENEZUELA

CABINET CHANGES EXPECTED BEFORE YEAR-END

Caracas BOHEMIA in Spanish 16-22 Sep 85 pp 26-27

[Article by Lesbia Delgado: "The Cabinet: Changes, Not Resignations"]

[Text] We are nearing the 120-day deadline that President Jaime Lusinchi gave his colleagues to carry out their programs, and it would seem as though political leaders have fallen into the mood and are calling for changes in the cabinet. In fact, Gonzalo Barrios, Octavio Lepage, Reinaldo Leandro Mora, Luis Raul Matos Azocar and the president himself have talked about changes in the cabinet in recent days, some to call for and announce them and others to deny them. The fact is that the "changes" have triggered a sort of government-wide panic that has almost paralyzed the country.

Governors Urged to Start Working

Every time that Minister Lepage visits the provinces, he comes out with statements that are all but veiled threats against the governors and the members of the Executive Cabinet. A short while ago he criticized the ministers for not attending the governors conventions. Lepage has also criticized the provinces for failing to accomplish much, in his view, and almost like an opposition politician asserted that the government had sort of come to a standstill.

All of this would seem to indicate that government officials are constantly being looked at under a microscope. In just a year and a half there have been ill-timed replacements of ministers, governors and presidents of autonomous institutes who thought they would "own" their posts until 1989.

Moreover, Minister Lepage has announced publicly that at the president's behest no state governor can take part in the Democratic Action primary campaign that officially begins on 1 October.

Should any governor be found to have disregarded these precise instructions, he will be reprimanded or more severely sanctioned if his improper conduct so warrants.

Even though Octavio Lepage has stated that he has not received any specific complaints about any governor interfering in the internal AD election process,

there are accounts in the provinces about certain governors who are trying to block or promote candidates for sectional secretaries general.

Lepage himself has been criticized for supposedly conducting a presidential nomination campaign. He categorically denied this a while ago in Guyana, but the broad smiles of his companions' faces seemed to indicate otherwise. In any event, those accompanying the minister ought to be more discreet.

The Targets of Criticism

According to a Central Bank of Venezuela report, the construction sector has suffered a 40 percent drop in government spending. This means that the industry that is the country's largest employer is practically at a standstill without hope of a recovery in the near term.

Urban Development Minister Rafael Martin Guedez is one of the main targets of criticism. As far back as January there had been talk of his leaving the cabinet. Since then there has been no effective action in his area of responsibility, which is construction. A housing project in Montalban, Caracas has prompted the most heated public and private debate. Rafael Martin Guedez has just reaffirmed his willingness to start up the controversial project, which is going to needlessly create opposition to the government. With a bit of imagination and care, the building could be done on other more economical sites that would not harm the interests of the owners who had acquired the land in Juan Pablo II.

The social cabinet (health, education and youth) is also under the gun. The government needs a shakeup to end the paralysis that the ruling party's primary election campaign has caused. A while ago, a newswoman observed that while a gentleman was trying to obtain an ID card at the DIEX, the secretary was wasting his time selling him tickets to raise funds for the party fair on Sunday the 15th.

The gossip about "so-and-so" having only 3 months left hurts the performance of the "lame duck's" subordinates, who then busy themselves trying to find out who his successor will be so that they can get on his good side. President Lusinchi's remarks might be designed to halt the panic that the statements by Reinaldo Leandro Mora, Juan Jose Delpino and Antonio Rios caused, not to mention the opposition leaders, who have called for changes in every administration's cabinet.

Deadline: 30 November

In spite of President Jaime Lusinchi's statements denying that there would be changes in his cabinet, there are other factors that could prompt the departure of several ministers, governors and institute presidents. Democratic Action's national and regional authorities will be chosen throughout the country on 1 December.

Under the AD bylaws, anyone seeking a post in a leadership body must not be working in the Executive Branch as of election day. This means that the

candidates will have to submit their resignations to President Lusinchi by 30 November at the latest.

Who?

Octavio Lepage is currently an ex officio member of the National Executive Committee (CEN) of Democratic Action. His political ambition and that of any party leader is to make it to the top, in the case the CEN.

Other ministers are in the same position: Hector Hurtado, Jose Manzo Gonzalez and Carmelo Lauria. This is an opportunity that comes along every 3 years or, if there is an extension, at an even longer interval, and one must think things over very carefully before letting it pass.

The Hopefuls and the Names in the News

With potential cabinet changes in the offing, there are, of course, many would-be successors, and many names of noncandidates are being mentioned as well: Armando Sanchez Bueno in the Development Ministry or the Investment Fund, Victor Hugo Manzanilla in Education, Hector Meneses in Development, Miguel Angel Contreras Laguado in Interior Relations, and Miguel Bellorin in Health.

Late-Breaking News: What does seem certain is that if Octavio Lepage leaves, his successor will be Alejandro Izaguirre, and Miguel Angel Contreras will take over as secretary of the presidency if Carmelo Lauria decides to move from Miraflores to the CEN.

8743

CSO: 3348/51

VENEZUELA

NEED TO REVIEW DEBT REFINANCING TERMS UNDERLINED

Caracas BOHEMIA in Spanish 23-29 Sep 85 pp 42-45

[Article by Gilberto Alcala]

[Text] In the next few days, amid public debate between two major sectors, the government is going to sign a commitment to pay the country's foreign debt. The bloc consisting of the administration, AD and FEDECAMARAS [Venezuelan Federation of Associations and Chambers of Commerce and Industry] accepts it, and the group comprising all the opposition parties, plus three dissident members of AD, rejects it. The move reflects the administration's propensity not to pick quarrels with the powerful international banking community. In simple political terms, it could head off a crisis in defining AD's philosophy and political action, a crisis due to its departure from its social mission as an organization that was born as a party of the people.

Three basic issues have emerged and require an explanation from President Jaime Lusinchi and AD. First, the administration's approach to the rescheduling as an economic, not political problem that centers around the need to pay the debt to secure further loans. Second, the administration's conviction about bringing in the revenues needed to pay it off and meet the demands of domestic development. And third, its unilateral decision to take responsibility for signing the agreement in disregard of opposition views, which undermines the current democratic system. To these points we can add the need for an economic recovery that could be very adversely affected by the prolonged and increasingly severe recession.

All of the sectors involved agree that the debt ought to be paid. The crux of the disagreement is the administration's refusal to review the rescheduling terms that were proposed more than a year ago, even though we now have less income than when they were agreed on. This is why the administration is being called on to achieve a more favorable agreement, and a proposal has been introduced to have Congress consider and approve it because the decline in income has seriously diminished the nation's ability to pay.

The debate began when the current administration started talks with the coordinators of the 460 banks to which we owe \$32 billion. Some \$22 billion is being rescheduled at 4.3 bolivars to the dollar at an interest rate based on LIBOR (the European rate), which currently stands at 8 percent, plus 1 1/8

percent as a lateness penalty. The rest is not being rescheduled because there is no urgency.

FEDECAMARAS's support for the rescheduling (reaffirmed by its president Rafael Marcial Garmendia) can be explained by the administration's acceptance of the creditors' demand to allow private businessmen to reschedule their debts (an acknowledged \$6 billion at this point) at 4.3 to the dollar as part of a package of measures that included a devaluation and the acceptance of interest payable. This point prompted denunciations from the opposition (and one faction of AD), which claimed that the administration is paying more attention to the international banks than to the nation's interests. In fact, former President Luis Herrera Campins has said that the debt negotiator is a representative of the private sector, not a government official. This could be a clear allusion to Carlos Guillermo Rangel, the president of the IACCP [Inter-American Council of Commerce and Production], which is a sort of federation of North and South American businessmen and which we can logically assume includes FEDECAMARAS representatives. Several of them have acted as liaisons for meetings here in Caracas between President Lusinchi and the chairman of the Chase Manhattan Bank, Francys Mason, who is one of the coordinators of the creditor banks.

The Need for Loans

When the debate was at its most heated, President Lusinchi said that the government would be very ill-advised not to pay back the debt and instead to inject the money into our economy, because that would not be consistent with the effort "to achieve productive energies." This is undoubtedly an exhortation to overcome the crisis through hard work, to replace the current oil-revenue-based economy with diversified production. But his justification for the agreements was as follows: "We seek to recover our overseas credit so as to contribute to an economic recovery" and to earmark the loans for production, "not for squandering, as was largely the case in the past." This indicates that the country will continue to depend on credit, on loan refinancing; in other words, we will continue to have an economy that is dependent on international creditor banks, in particular American banks that have representatives in Venezuela. President Lusinchi dramatically described the government's need to sign the debt agreement when he asserted that unless we pay we run the risk of having Venezuelan holdings overseas attached. Are there grounds for this fear? Might the creditors have threatened our negotiator Rangel so bluntly? We do not know. At least there has been no leak that the Finance Ministry so informed the parties.

The fact is that the administration's only argument for signing the pact is that it will guarantee a normal flow of Venezuelan trade and might get the economy moving again.

The AD Dissidents

In discussing the foreign debt and domestic realities, former President Carlos Andres Perez and former CORDIPLAN [Office of Coordination and Planning] Minister Luis Raul Matos Azocar have spoken out about the economic and political elements of a dependency that forces a sovereign nation to assert

its dignity as such. When Perez voiced his support for Peruvian President Alan Garcia, who has pledged to earmark 10 percent of export earnings to pay off his country's debt, he stated that we are the weak facing off against the powerful, who do not realize that relations must be between equal partners. Voicing clear opposition to the agreement because it cannot be kept, he described the creditors' desire to be paid back at their convenience as "irrational and inhuman" and then asserted: "It is impossible for us to pay it off the way they have asked us to."

At the opening of the Romulo Betancourt Library, Matos Azocar stated that within the country's economy 10 percent of the people are "privileged" while 90 percent of Venezuelans are "subjected to compulsory austerity." Concerned at seeing that nothing has been done to overcome this situation, he asked: "Could it be that our party has grown weak in dealing with the bankers and financial groups?" Matos was unquestionably making an assertion, not asking a question. Speaking before industrialists, President Lusinchi acknowledged this structural reality, saying: "It is true that in Venezuela there is a powerful oligopolistic and monopolistic structure that is not suited to a productive, democratic economy."

Matos Azocar also asked where the 140 billion bolivars are going to come from to make up for the shortfall stemming from the drop in oil prices and the rescheduling. And he criticized the failure to make use of the Enabling Law to put through a tax reform "that would draw money from the pockets of the rich, not the poor." He then called for a new leadership in Democratic Action.

Juan Jose Delpino is the third AD dissident. He called for a review of the rescheduling, arguing that oil revenues have declined and, therefore, "there is not enough money to meet the list of conditions." Moreover, he said, the money is needed for domestic investment to cut unemployment (14 percent of Venezuelans are out of work, including professionals) and to revive the economy. President Lusinchi replied to him within 24 hours, saying that the nation made the commitment with an eye towards future foreign exchange inflows and its ability to generate funds, and adding that all this had been reported to the CTV [Confederation of Venezuelan Workers] and that Delpino must have been misinformed. Delpino was convinced of the agreement's inadvisability and asserted, consequently, that "it would be a catastrophe if the country paid the envisaged installments" because it would be paying with money needed for internal development.

What financing guarantees could the finance minister have given the CTV to meet Delpino's conditions? He surely emphasized nontraditional exports as a new source of revenues and economic recovery through the Three-Year Plan. The problem is that CORDIPLAN has not yet said what the sources of financing for the plan are. Delpino emerged from the Finance Ministry-CTV meeting partly satisfied because he was told that "even if we sign now under the original terms, we can bring up payment arrangements in the future that are in keeping with the country's situation and...with oil revenues and the price of a barrel of oil." The AD labor unions have decided to continue playing opposition politics, however, and are holding the administration accountable for the debt pact.

COPEI and MAS [Movement Toward Socialism] Criticize But No One Listens

Former President Rafael Caldera, who does not doubt the patriotism of the negotiators (as Herrera Campins seems to), has cautioned that the guidelines within which the negotiations began have changed and that the debt has to be dealt with as a political issue, "a high-level international political issue" because the governments of the countries in which the creditor banks are located must "enable the debtors to survive and recover." In proposing a revision of the agreement, he contends that payment must depend on current economic realities, on oil price trends and on an increase in our nontraditional exports.

By giving an international dimension to the problem, the number one COPEI leader is calling on the debtor countries to get together and demand fairer treatment and definitive, honorable settlements for all from the creditors. Leopoldo Diaz Bruzual has said that otherwise "it will be a catastrophe for everyone." Caldera does not think that the rescheduling pact is a good one; he regards it as burdensome and feels that the interests of both debtors and creditors must be taken into account in achieving a settlement. His is a comprehensive political approach that assigns decision-making responsibility to American banks and President Reagan, to British banks and the Thatcher administration. In other words, he is calling for additional government to government action in each case.

The agreement, which entails a 12-year payback period, will obligate the next three administrations, and since COPEI has ambitions of returning to Miraflores, it has emphasized that its priorities are economic recovery, job creation and halting inflation, instead of debt rescheduling. Knowing that President Lusinchi is prepared to sign under the current terms, it has suggested that the powerful international banking community has been applying pressure and that, therefore, the administration is trying to present accomplished facts. Eduardo Fernandez has summarized this assessment in a single sentence: "The negotiations are past the point of no return, and the administration feels that it has no choice other than to sign the agreements." President Lusinchi had said some days before: "We are absolutely convinced of the need to sign and sign we will."

In the background, however, are possible pressures for a rescheduling. Godofredo Gonzalez has made note of this, stating that "the administration, under pressures that I cannot pinpoint, has been willing to stake everything and will sign the contracts." The observation is that the administration is willing to take responsibility over and above an always advisable democratic consensus.

Minister Azpurua did not convince MAS either, because its secretary general, Freddy Munoz, underscored his doubts about our ability to pay and, moreover, does not believe that we are going to obtain the funds we need from nontraditional exports. MAS is not in favor of signing the agreement because Venezuela is going to have to earmark more than 30 percent of its oil revenues to pay back its creditors. Moreover, it feels that instead of coming up with the money to pay back the debt, "given the current situation and potential developments in the years to come, (the government) could be obliged to break

the agreements or, if it decided to honor them strictly, would have to make severe sacrifices."

Partisan politics aside, the eminent economist D.F. Maza Zavala favors a revision of the terms since they are now unfavorable and will worsen because the economic recession will continue for the rest of this decade.

Only the Administration's Reasons Are Realistic and Valid

Having heard these opposition views, President Lusinchi, "absolutely convinced" of the need to sign the pacts, stated that the opposing arguments "are not well founded. They are not really based on Venezuela's actual earnings or on the country's real economy." The president's remark calls his opponents' qualifications into question. Is it likely that his opponents both inside and outside AD do not have a firm grasp of the economic realities under discussion? Highly unlikely. Therefore, the logical deduction is that the president's reaction reflects his intention to sign on the basis of his convictions and the economic recovery plans that he may have but has not made public.

The secretary general of AD, Manuel Penalver, has already made public his party's support for the rescheduling and for the administration's economic policy, thus establishing a sort of shared responsibility, to which we can add FEDECAMARAS' acquiescence. Dr Gonzalo Barrios went further, however, and strongly discredited the critics of the rescheduling pact: "Many people are voicing their opinions on an issue that they really do not have a thorough understanding of...The administration is taking a reasonable, realistic approach." He then asserted that this is the most sensible and best informed approach and the one with the most likelihood of success.

His strong words reaffirm the administration's decision to sign without demanding new terms from the banks or hearing what Congress has to say, in spite of the new economic conditions. Moreover, though, the issue has led to a philosophical showdown within Democratic Action. As we can see, the dissenters in AD represent philosophies that cannot be easily dismissed because they are calling for economic policies to benefit the people and, at the same time, are speaking out against the party's and the administration's ties to financial and private power groups.

In Light of the Confusion, an Explanation Is Due

In the event that the administration makes good its decision to sign, as seems likely, without seeking congressional approval under the Enabling Law and its prior authorization clause, President Lusinchi ought to explain the scope of the rescheduling to the people, indicating what he regards as positive and negative about it. The administration has not said whether the agreement has detrimental aspects. It sees it as good. It ought to reveal specific programs for securing the revenues needed for economic recovery and say whether it is contemplating tax reform so as to determine the contribution of large private capital, along with the necessary wage adjustments. We need to find out for certain whether the administration will continue to take a strictly economic approach to the problem and thus rule out the possibility of

dealing with the governments of the industrialized countries, and we need to know what the payment guarantees are in the event that it does. What we especially need to know, however, is whether the administration's peremptory approach to the debt agreement is indicative of a philosophy of governing without a consensus or whether its programs for national development will insure that repayment of the debt is not a serious stumbling block.

The much needed explanation of the administration's reasoning under current circumstances and of its future economic plans stems, on the one hand, from the political confrontation between the two blocs mentioned at the outset of this article. In particular, however, it stems from the chief executive's duty to account for his actions before the citizens of this republic. In other words, we are talking about a political accounting that goes beyond the circumstantial aspects of the government's foreign debt.

8743

CSO: 3348/52

END

END OF

FICHE

DATE FILMED

10 DEC 85

